

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 11,981
)
APPLICATION OF DEVON ENERGY CORPORATION)
(NEVADA) FOR LEASE COMMINGLING,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 9th, 1998

Santa Fe, New Mexico

OIL CONSERVATION DIV.
98 JUL 23 AM 8:29

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 9th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

July 8th, 1998
Examiner Hearing
CASE NO. 11,981

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APPEARANCES	3
APPLICANT'S WITNESSES:	
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	-
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Exhibit 3	6	-
Exhibit 4	8	-

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law
 612 Old Santa Fe Trail, Suite B
 Santa Fe, New Mexico 87501
 P.O. Box 1056
 Santa Fe, New Mexico 87504

ALSO PRESENT:

MARK W. ASHLEY
 NMOCD Environmental Geologist
 2040 South Pacheco
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 11:48 a.m.:

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6 EXAMINER STOGNER: At this time I'll call Case
7 11,981, which is the Application of Devon Energy
8 Corporation (Nevada) for lease commingling, Eddy County,
9 New Mexico.

10 At this time I'll call for appearances.

11 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
12 representing the Applicant.

13 I have one witness.

14 EXAMINER STOGNER: Any other appearances?

15 Okay, will the witness please stand, raise your
16 right hand?

17 (Thereupon, the witness was sworn.)

18 EXAMINER STOGNER: Mr. Bruce?

19 MR. BRUCE: Mr. Examiner, in this case Devon
20 Energy seeks authority to commingle production from the Red
21 Lake-Queen-Grayburg-San Andres Pool without having to
22 separately meter production from each well.

23 We are here today because working and overriding
24 royalty interests are not common in the six leases involved
25 in this case, and thus it can't be done administratively.

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DANIEL P. HOKETT,

the witness herein, after having been first duly sworn upon
his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Mr. Hockett, will you please state your full name
and city of residence?

A. Daniel Patrick Hockett, and I'm from Artesia, New
Mexico.

Q. Who do you work for and in what capacity?

A. Devon Energy. I'm a production foreman.

Q. Would you please briefly discuss your employment
history in the oil business?

A. I worked for Western Company for two years, I
worked for Dekab Energy for 26 years, I've worked for Devon
for five years.

Q. And as you said, you are the production foreman
for Devon in this area of New Mexico?

A. Yes.

Q. And in particular, you supervise field operations
in this west Red Lake field, do you not?

A. Yes, sir.

Q. And are you familiar with this Application?

A. Yes.

MR. BRUCE: Mr. Examiner, I'd tender Mr. Hockett

1 as a practical oil and gas man.

2 EXAMINER STOGNER: Mr. Hockett is so qualified.

3 Q. (By Mr. Bruce) Mr. Hockett, what is Exhibit 1?

4 A. Exhibit 1 is a land plat of the area for the six
5 leases affected, and it's in color. The leases are
6 numbered on the plat, and the wells of the affected areas
7 are also marked on the plat.

8 Q. Okay, and what is Exhibit 2, very briefly?

9 A. Exhibit 2 is a list of the interest owners in the
10 six leases.

11 Q. Go ahead.

12 A. This lease was prepared by Devon Energy Division,
13 order files.

14 MR. BRUCE: Mr. Examiner, on that Exhibit 2 I've
15 highlighted three names, Nearburg Exploration Company,
16 L.L.C.; Gretchen Nearburg; and Yates Petroleum Corporation.
17 Those are the only three working interest owners other than
18 Devon Energy. All of the other interest owners are
19 overriding royalty interest owners.

20 Q. (By Mr. Bruce) Okay, Mr. Hockett, these are all
21 federal leases, are they not?

22 A. Yes.

23 Q. Okay. Would you please identify Exhibit 3 and
24 discuss Devon Energy's commingling proposal?

25 A. Exhibit 3 discusses Devon's commingling proposal.

1 There was a sundry notice filed with the BLM requesting
2 commingling. It was approved by the BLM in April.

3 The first three pages list the leases and wells
4 involved, and page 4 is a short description of the
5 procedure.

6 Page 5 is a schematic of the process, and the
7 battery will have a test heater which will test each
8 individual well separately. The oil will be tested into a
9 measuring tank, a test tank, and the gas will be measured
10 through an orifice meter.

11 Q. How often will each well be tested?

12 A. At least once a month.

13 Q. Will this procedure accurately measure production
14 from each well?

15 A. Yes. Initially, these wells come in 80 to 100
16 barrels a day, and they'll have a sharp decline, and
17 they'll stabilize in three to four -- or four to five
18 months, at 20 to 25 barrels of oil a day.

19 As a result, monthly tests are accurate allocated
20 production for each well.

21 Q. Now, you say there's a four- or five-month period
22 of sharp decline?

23 A. Yes.

24 Q. Will you test these newer wells more frequently
25 than once a month?

1 A. Yes.

2 Q. Until the production stabilizes?

3 A. Yes, sir.

4 Q. Okay. Does Devon have any experience with lease
5 commingling in this area?

6 A. Yes. We have approximately a half dozen
7 commingle leases, facilities in the West Red Lake area and
8 have had no problems with them.

9 Q. Will granting this Application result in cost
10 savings?

11 A. Yes, there will be about six batteries that we
12 won't have to build here at a cost of approximately \$80,000
13 a battery.

14 Q. In your opinion, is the granting of this
15 Application in the interests of conservation and the
16 prevention of waste?

17 A. Yes.

18 Q. And were Exhibits 1 through 3 prepared or
19 compiled from Devon's business records?

20 A. Yes.

21 MR. BRUCE: Finally, Mr. Examiner, Exhibit 4 is
22 my affidavit of notice, showing that notice was given to
23 the interest owners and contain all of the certified
24 receipts, or there were several returned letters.

25 Mr. Examiner, a couple of things that need to be

1 taken -- first a comment.

2 In Cases 11,845, 11,846 and 11,847 there were
3 similar applications filed by Devon in this same pool in
4 which lease commingling was approved, further to the east
5 from this particular proposal.

6 The other thing I just noticed, although the
7 Application sent out to all of the interest owners
8 correctly described all of the acreage and the leases, I
9 believe the proposed advertisement omitted one lease, and I
10 don't off the top of my head know which one it is, but I
11 would propose just to readvertise the case for the August
12 6th hearing to take care of that mistake.

13 EXAMINER STOGNER: Okay. Say -- Now, was the
14 notification --

15 MR. BRUCE: The notification, the mailed
16 notification, was proper --

17 EXAMINER STOGNER: Okay.

18 MR. BRUCE: -- but I believe when I submitted the
19 proposed advertisement to you, the -- it omitted one of the
20 leases from the advertisement.

21 EXAMINER STOGNER: Well, let's go over those,
22 because I count five leases. How many leases are there?

23 MR. BRUCE: Six.

24 EXAMINER STOGNER: There's six?

25 MR. BRUCE: Yeah.

1 EXAMINER STOGNER: Well, I count five colors.

2 MR. BRUCE: Those two green ones are different
3 leases, Mr. Examiner.

4 EXAMINER STOGNER: Oh, they're two shades of
5 green. Okay.

6 MR. BRUCE: Yeah. Or they should be two shades
7 of green.

8 EXAMINER STOGNER: Okay. Well, let's see. I've
9 got the one furthest over to the east. It looks like an
10 LC-049648-A, and I don't see that one showing up.

11 MR. BRUCE: Yeah, I believe that's the one that
12 was omitted.

13 EXAMINER STOGNER: Okay. And the other one over
14 to the west, the darker green back over to the west, is
15 LC-060894.

16 MR. BRUCE: 060894.

17 EXAMINER STOGNER: 060894. Okay. Now, that one
18 did appear on the advertisement?

19 MR. BRUCE: Yeah.

20 EXAMINER STOGNER: Okay. Now, will it be
21 necessary to -- You said the -- The actual notification was
22 correct?

23 MR. BRUCE: Was correct.

24 EXAMINER STOGNER: Okay. So we'll need to
25 readvertise and continue this until August 6th.

1 MR. BRUCE: Yeah.

2 EXAMINER STOGNER: And that will get us onto the
3 next docket for the readvertisement. Okay.

4 Okay, we'll get with Ms. Davidson and make that
5 proper change.

6 Okay. I have a couple of questions here.

7 EXAMINATION

8 BY EXAMINER STOGNER:

9 Q. How many wells are there actually in this area,
10 in the six leases? How many current wells are there?

11 A. I'm not -- Let's see.

12 Q. Roughly.

13 A. I think there's six right now.

14 Q. There's six. And potential -- What's the maximum
15 number that Devon plans to have?

16 A. Thirty- -- 32, I believe.

17 Q. Thirty-two. And that was the same conditions
18 that were in the previous cases which were mentioned,
19 11,845, 11,846 and 11,847 was similar in this with --

20 MR. BRUCE: They were similar.

21 Q. (By Examiner Stogner) Now, there will be only
22 one battery --

23 A. Yes.

24 Q. -- for the six leases?

25 And where will that battery be located?

1 A. At Section 6.

2 Q. Where at in Section 6?

3 A. Let's see, I don't have the footages, but it's
4 there where the Malco Number 5 is at, the Malco "B" Number
5 5. It would be --

6 Q. Is that the dark one sort of in the middle?

7 MR. BRUCE: Yes, Mr. Examiner, Unit G.

8 EXAMINER STOGNER: Unit G, okay, that's where the
9 battery is. Okay.

10 Q. (By Examiner Stogner) Now, when this area is
11 completely developed, how many -- What will be the tank
12 capacity out there?

13 A. We'll have, I believe, four 500 steel tanks --

14 Q. Okay.

15 A. -- and a 500 steel test tank. It should be in
16 here.

17 Q. Okay. Again, you were mentioning that each well
18 will have a monthly test once stabilized rates are
19 obtained. What would be the rate of those tests initially
20 for each well?

21 A. About once a week.

22 Q. Once a week. And when does stabilization usually
23 occur?

24 A. Four to five months.

25 Q. Okay, what is being done to the produced water

1 from these wells?

2 A. It's being transferred over to West Red Lake to
3 dispose, a pilot flood.

4 Q. Now, water volume is also tested; is that
5 correct?

6 A. Yes.

7 Q. Okay, so --

8 A. There's that test heater, and we've got a
9 Halliburton meter to measure the water.

10 Q. So that can be referred or at least documented
11 back to each well.

12 What is the water rate out there on these wells?

13 A. It's probably starting off 400 barrels a day. It
14 will drop off to probably 100.

15 Q. And what's the disposition of the gas? Who's
16 that being sent to or --

17 A. GBM.

18 Q. And they've got a pipeline in there?

19 A. Yes.

20 EXAMINER STOGNER: Any other questions of this
21 witness?

22 MR. BRUCE: No, sir.

23 EXAMINER STOGNER: You may be excused.
24 Anything further, Mr. Bruce?

25 MR. BRUCE: Just one thing. I would just like to

1 note for the record that Ernest Carroll and James Haas of
2 the Losey Carson firm in Artesia did enter an appearance on
3 behalf of Jane Hudson Davis, Joan Hudson and Jonel --
4 J-o-n-e-l -- Grasso Howard and requested copies of all
5 pleadings, et cetera. I will submit to them a copy of the
6 exhibits used in this hearing.

7 EXAMINER STOGNER: I don't have that -- Oh, it's
8 in the case file.

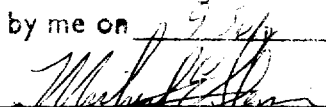
9 Okay, thank you for taking care of that, Mr.
10 Bruce.

11 Let's see, this matter will be continued and
12 readvertised for the August 6th hearing. At that time it
13 will be called if any additional testimony is being
14 required or -- and we can take it at that time.

15 With that, let's take a recess until 1:30. We
16 will reconvene for the remaining cases.

17 (Thereupon, these proceedings were concluded at
18 12:05 p.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 11981,
24 heard by me on 9 Sep 1993
25  Examiner
On Conservation Division


CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 14th, 1998.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998