

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. 13,009
)
APPLICATION OF ELM RIDGE RESOURCES,)
INC., FOR AN UNORTHODOX OIL WELL)
LOCATION, RIO ARRIBA COUNTY, NEW MEXICO)
)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 20th, 2003
Santa Fe, New Mexico

RECEIVED
MAR 6 2003
Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 20th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 20th, 2003
 Examiner Hearing
 CASE NO. 13,009

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>BRIAN WOOD</u> (Landman)	
Direct Examination by Mr. Bruce	4
Examination by Examiner Catanach	9
REPORTER'S CERTIFICATE	13

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	9
Exhibit 2	5	9
Exhibit 3	6	9
Exhibit 4	9	9

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504
369 Montezuma, No. 213
Santa Fe, New Mexico 87501

* * *

ALSO PRESENT:

WILLIAM V. JONES, JR.
Petroleum Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 10:55 a.m.:

3 EXAMINER CATANACH: All right, call the hearing
4 back to order, and at this time I'll call Case 13,009, the
5 Application of Elm Ridge Resources, Inc., for an unorthodox
6 oil well location, Rio Arriba County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I have one witness.

10 EXAMINER CATANACH: Additional appearances?
11 Will the witness please stand to be sworn in?
12 (Thereupon, the witness was sworn.)

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

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name and city of
19 residence for the record?

20 A. My name is Brian Wood, my residence is Santa Fe,
21 New Mexico.

22 Q. Who do you work for?

23 A. I work for Permits West, and our client is Elm
24 Ridge Resources.

25 Q. What does Permits West do for Elm Ridge?

1 A. We prepare applications for permits to drill.

2 Q. Okay. What does Elm Ridge seek in this case?

3 A. We seek approval of a nonstandard location for
4 the State 16 Number 5 well.

5 Q. And what is the footage of that?

6 A. The well is at 640 feet from the south line and
7 2290 feet from the east line of Section 16, Township 23
8 North, Range 6 West.

9 Q. Now, has this well already been drilled?

10 A. Yes, sir, it has.

11 Q. And what zone is it completed in?

12 A. It's completed in the Gallup.

13 Q. And what pool is that?

14 A. This is the Counselors Gallup-Dakota field and
15 Pool.

16 Q. Let's skip ahead to your second exhibit, Exhibit
17 Number 2. What is that, Mr. Wood?

18 A. This is the current rules that govern that
19 particular field and pool.

20 Q. What is the spacing and the well-location
21 requirement?

22 A. The requirement is that the well must be at least
23 660 feet from the boundaries of the quarter section in
24 which the well is located, and in this case the well is
25 less than that.

1 Q. Okay, what is Exhibit 3?

2 A. Exhibit 3 is a copy of the approved application
3 for permit to drill.

4 Q. Now, the location -- When this was filed, what
5 did you think the well-location requirements were?

6 A. At that time we focused on the Gallup part of the
7 phrase and staked it under the belief that the spacing
8 required us to be 330 feet from the quarter-quarter lines,
9 as opposed to the correct 660 feet from the quarter-section
10 lines.

11 Q. So the well was drilled, so it's sitting out
12 there. And did you seek administrative approval of the
13 unorthodox location?

14 A. We did seek approval of the nonstandard location
15 after the well was drilled when it was brought to our
16 attention. That was denied because of a lack of
17 topographic or archeological issues.

18 Q. So under the special pool rules it has to be a
19 topographic or archeological condition in order to get
20 administrative approval?

21 A. That is correct.

22 Q. So Mr. Stogner informed you that this matter
23 would have to be set for hearing?

24 A. That is correct.

25 Q. Okay. Could you identify Exhibit 1 for the

1 Examiner and go briefly and discuss the well and perhaps
2 the acreage involved?

3 A. Sure. Exhibit 1 was our application for
4 administrative approval for the nonstandard location. Some
5 of the salient points is that that the well is 1285 feet
6 from the closest producing well. In this case that happens
7 to be another Elm Ridge oil well. The closest non-Elm
8 Ridge well is Merrion Oil and Gas's Enchilada Number 1,
9 which is 3808 feet from this well.

10 Q. Okay, and when you mention these footages, the
11 pool rules do require that you're supposed to be 1320 feet
12 away from an existing well?

13 A. That is correct.

14 Q. In the same pool?

15 A. Yes.

16 Q. Okay, go ahead.

17 A. In essence, we did notify the various offset
18 interest owners.

19 Q. And they're all listed on page 2?

20 A. That is correct. And have not received any
21 replies or objections from anyone to date.

22 Q. In going through, you do have the acreage
23 dedication plat showing that 160 acres is dedicated to this
24 unit, is it not?

25 A. That is correct, it's the southeast quarter.

1 Q. Okay. In going to the last two pages of this
2 exhibit, first of all, Section 16, is that all covered by
3 one state lease?

4 A. That is correct.

5 Q. Okay. So interest ownership in the southeast
6 quarter and the offsetting southwest quarter is common?

7 A. That's correct.

8 Q. Okay. Now, the second to the last page indicates
9 the section with some other wells on it, I presume; is that
10 correct?

11 A. That is correct. There's currently -- Not
12 counting the subject well, there's six other producing
13 wells in that section --

14 Q. Okay.

15 A. -- of which five are Elm Ridge wells, and one is
16 the Merrion Enchilada well.

17 Q. And that's the well in the northeast quarter?

18 A. That is correct.

19 Q. Okay. Does the final page of the exhibit show
20 your data regarding the offsetting operators and lessees?

21 A. Yes, in conjunction with the listed names
22 earlier.

23 Q. Okay. Now, when you filed for administrative
24 approval you did give notice to all of the offsets, did you
25 not?

1 A. That is correct.

2 Q. And as part of this Application, notice was again
3 given to those offsets, was it not?

4 A. That is correct.

5 Q. And is Exhibit 4 my affidavit of notice?

6 A. (Nods)

7 Q. Mr. Wood, in your opinion is the granting -- Have
8 you received any calls or any objections from any of the
9 offsets?

10 A. I have received none at all.

11 Q. Okay. In your opinion is the granting of this
12 Application in the interest of conservation and the
13 prevention of waste?

14 A. Yes, that's correct.

15 Q. And were Exhibits 1 through 4 either prepared by
16 you or under your supervision or compiled from company
17 records?

18 A. Yes, that's correct.

19 MR. BRUCE: Mr. Examiner, I'd move the admission
20 of Exhibits 1 through 4.

21 EXAMINER CATANACH: Exhibits 1 through 4 will be
22 admitted.

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. Mr. Wood, it's my understanding this well was

1 permitted with the belief that it would be a Gallup oil
2 well?

3 A. That is correct.

4 Q. And you assumed it was on 40-acre spacing at the
5 time?

6 A. Basically. The only reason I'm hedging on that
7 is, we realized would have to dedicate 160 acres to the
8 well, which is what we did on the C-102 form, but we're
9 under the wrong impression. Like I say, we had to be 330
10 feet from the quarter-quarter lines, as opposed to 660 from
11 the quarter-section lines.

12 Q. Okay, so when the well was permitted, you were
13 just unaware of the setback requirements for that
14 particular pool?

15 A. That is correct.

16 Q. But your drilling permit was approved by the
17 Division?

18 A. That's correct, they indicate that it was
19 approved on April 22nd.

20 Q. Now, did they give you any indication that that
21 was unorthodox?

22 A. Yes, they stamped on there -- it appears to
23 read -- it states that -- they put a stamp on it. I can't
24 quite read the printed part of the stamp, but it says NSL.
25 It's in the lower left-hand corner of Exhibit 3.

1 Q. Uh-huh. Now, this was before the well was
2 drilled, this --

3 A. That's correct.

4 Q. Okay, so why didn't you at that point try and
5 pursue approval?

6 A. The clerk did not grasp the significance of it
7 when she was it.

8 Q. All right. So all of Section 16 is a single
9 state lease. Is that held by Elm Ridge?

10 A. All except the northeast quarter, which is
11 Merrion's.

12 Q. Merrion. And do they operate a well in that
13 quarter section?

14 A. That is correct, they have the Enchilada Number
15 1, which is in the northeast quarter.

16 Q. Is it in this pool?

17 A. Yes, that's correct.

18 Q. And there are some additional Gallup-Dakota wells
19 in this section?

20 A. Yes, Elm Ridge operates five other Gallup-Dakota
21 wells in Section 16.

22 Q. Okay. So the remaining five wells are all
23 operated by Elm Ridge?

24 A. That's correct.

25 Q. Including the one in the southwest quarter?

1 A. That's correct.

2 Q. Okay. Now, the interest ownership between the
3 southwest quarter and the southeast quarter is entirely
4 common?

5 A. Yes, that's correct.

6 Q. So this well would actually be encroaching
7 towards the west and slightly towards the south?

8 A. That's correct.

9 Q. Was there an offset operator to the south that
10 you notified?

11 A. The south is currently unleased BLM minerals.
12 BLM was notified.

13 Q. And is this well currently producing, Mr. Wood?

14 A. Yes.

15 EXAMINER CATANACH: I don't have anything
16 further, Mr. Bruce.

17 MR. BRUCE: I have nothing further, Mr. Examiner.

18 EXAMINER CATANACH: Okay, there being nothing
19 further in this case, Case 13,009 will be taken under
20 advisement.

21 THE WITNESS: Thank you.

22 (Thereupon, these proceedings were concluded at
23 11:03 a.m.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13009
* * * heard by me on February 20, 1988.
David J. Catnach, Examiner
Oil 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 February 22nd, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006