CAMPBELL & BLACK, P.A.
LAWYERS

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April 9, 1991

HAND-DELIVERED

RECEIVED
APR 9 1991
OIL CONSERVATION DIVISION

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87501

Re: Case 10272
Application of Amoco Production Company for Directional Drilling and an Unorthodox Bottomhole Gas Well Location, Eddy County, New Mexico

Dear Mr. Stogner:

This letter confirms our recent telephone conversation in which I requested on behalf of Amoco Production Company, that the above-referenced case be reopened for further hearing on May 2, 1991.

The reason for this request is to enable Amoco Production Company to provide additional notice of this hearing to other affected operators, thereby assuring that it is in full compliance with OCD Rule 1207.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

WILLIAM F. CARR
ATTORNEY FOR AMOCO PRODUCTION COMPANY
WFC:mlh

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

MAR 12 1991

OIL CONSERVATION DIV.
SANTA FE

IN THE MATTER OF THE APPLICATION OF AMOCO PRODUCTION COMPANY FOR DIRECTIONAL DRILLING AND AN UNORTHODOX BOTTOMHOLE GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 10272

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its appearance in the above referenced case on behalf of Amoco Production Company.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: _____
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR AMOCO PRODUCTION COMPANY

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. 10272

APPLICATION OF AMOCO PRODUCTION COMPANY
FOR DIRECTIONAL DRILLING AND AN
UNORTHODOX BOTTOMHOLE GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

SECOND PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Daniel R. Currens and William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Amoco Production Company
c/o Daniel R. Currens
Post Office Box 3092
Houston, Texas 77253
(713) 556-2000

ATTORNEY

Daniel R. Currens
Post Office Box 3092
Houston, Texas 77253

William F. Carr
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

name, address, phone and
contact person

OPPOSITION OR OTHER PARTY

Musselman, Owen & King Operating, Inc.
507 North Marienfeld Street, Suite 100
Midland, Texas 79701

ATTORNEY

_____
_____
_____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

Amoco seeks approval of a directionally drilled unorthodox producing well in Section 12, Township 22 South, Range 23 East, Eddy County. The proposed well will be completed as a gas well in the Indian Basin (Upper Penn) Gas Pool. Amoco seeks approval for this application to assure that it has the opportunity to recover the hydrocarbon reserves under its lease. The existing well on the section, the Smith Federal Gas Com Well No. 1, is shut-in due to high water production and Amoco believes that gas reserves are migrating to the west as the water encroaches from the east. The proposed well will be drilled by re-entering the No. 1 Well, cutting and pulling 5-1/2" casing from about 5000' depth and setting cement plugs across the casing stub and at 4200' depth. The well will be kicked off above the second plug and, using directional tools, it will be deviated to an angle of about 38° from vertical. This angle will be held to the final depth of 7500' TVD. The well will be cased with 5-1/2" casing to TD and cement will be circulated back to the surface in two stages.

The surface location of this well is 1613' from the North line x 2336' from the West line of Section 12, Township 22 South, Range 23 East (Unit F). The proposed bottomhole location is in a target area of 330-430' from the West line x 1800-2000' from the North line of Section 12, Township 22 South, Range 23 East (Unit E).

OPPOSITION OR OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
James W. Collier, Jr. Sr. Petroleum Engineering Associate Houston Region Regulatory Affairs (last 4-1/2 years), 19 years Amoco experience	35 Min.	Approximately 12

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS

PROCEDURAL MATTERS

None

William F. Carr
Signature

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. 10272

APPLICATION OF AMOCO PRODUCTION COMPANY FOR DIRECTIONAL DRILLING AND AN UNORTHODOX BOTTOMHOLE GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

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APPEARANCES OF PARTIES

APPLICANT	ATTORNEY
Amoco Production Company c/o Daniel R. Currens Post Office Box 3092 Houston, Texas 77253 (713) 556-2000	Daniel R. Currens Post Office Box 3092 Houston, Texas 77253 William F. Carr Campbell & Black, P.A. Post Office Box 2208 Santa Fe, New Mexico 87504 (505) 988-4421
name, address, phone and contact person	
OPPOSITION OR OTHER PARTY	ATTORNEY
_____ _____ _____	_____ _____ _____
name, address, phone and contact person	

STATEMENT OF CASE

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OPPOSITION OR OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
James W. Collier, Jr. Sr. Petroleum Engineering Associate Houston Region Regulatory Affairs (last 4-1/2 years), 19 years Amoco experience	25 Min.	Approximately 8

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS

PROCEDURAL MATTERS

None

Signature

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

May 8, 1991

Mr. Daniel R. Currens
P. O. Box 3092
Houston, Texas 77253

RE: CASE NO. 10272
ORDER NO. R-9487

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office
W. Carr

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:	
APPLICATION OF AMOCO PRODUCTION COMPANY FOR DIRECTIONAL DRILLING AND AN UNORTHODOX BOTTOMHOLE GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO	CASE NO. 10272

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 21, 1991
1:35 p.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on March 21, 1991, at 1:35 p.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Paula Wegeforth, Certified Court Reporter No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION

BY: PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264

I N D E X

March 21, 1991
Examiner Hearing

CASE NO. 10272

* * *

E X H I B I T S

A P P E A R A N C E S

FOR THE DIVISION:
ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT:
CAMPBELL & BLACK, P.A.
Attorneys at Law
BY: WILLIAM F. CARR, ESQ.
110 North Guadalupe Street
Santa Fe, New Mexico 87501
AND
DANIEL R. CURRENS, ESQ.
Attorney at Law
Houston, Texas 77253

* * *

EXAMINER STOGNER: Let's call next case, No. 10272.

MR. STOVALL: Application of Amoco Production Company for directional drilling and an unorthodox bottomhole gas well location, Eddy County, New Mexico.

EXAMINER STOGNER: Call for appearances.

MR. CARR: May it please the examiner, my name is William F. Carr with the law firm Campbell & Black, P.A., of Santa Fe. I'm appearing today in association with Daniel R. Currens, an attorney for Amoco, from Houston. We have one witness.

EXAMINER STOGNER: Thank you. Are there any other appearances?

MR. CURRENS: Dan Currens, attorney from Houston.

EXAMINER STOGNER: Are there any other appearances?

I believe the witness is standing to be sworn.

(Whereupon the witness was duly sworn.)

MR. CURRENS: The responses of the witness are those that are sworn, and he will do that in any event, and I found that he will always do that, sworn or not, unless he's talking about his golf game.

This is Amoco's application for a directionally drilled replacement to a well in the Indian Basin Upper Penn field to replace a well that essentially is watered out. The well produced for a number of years from that field with water encroachment. The original well is no

longer able to produce, but it's a significant distance from the edge of the lease, and Amoco will seek to directionally drill from that old hole to a new location to recover reserves that are under that lease.

JAMES W. COLLIER, JR.,

the Witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CURRENS:

Q. Will you state your name, please?

A. My name is James Collier.

Q. By whom are you employed, Mr. Collier?

A. By Amoco Production Company.

Q. What do you do with Amoco Production Company?

A. I'm a senior petroleum engineering associate assigned to the Regulatory Affairs Group in Houston, and I handle proration cases such as this in Texas and New Mexico.

Q. All right, sir. You have testified before this body before, have you not?

A. Yes, sir.

Q. And your qualifications as a petroleum engineer are a matter of public record, are they?

A. Yes, sir.

Q. In conjunction with this case, have you had

occasion to make a study of the facts and circumstances that are involved in the matter we will be presenting today?

A. Yes, sir, I have.

Q. Have you prepared or caused to be prepared certain exhibits that you will present?

A. Yes, sir.

MR. CURRENS: Submit his qualifications as an expert petroleum engineer.

EXAMINER STOGNER: Mr. Collier is so qualified.

Q. (By Mr. Currens) Let me direct your attention to what's been marked as Amoco's Exhibit 1 and tell us very briefly what that is, please, Mr. Collier.

A. Exhibit 1 is a location map identifying the location of the Indian Basin Upper Penn field in the western part of Eddy County, New Mexico, about 30 miles west of Carlsbad. This is a shelf-edge deposit leading on the shelf edge of the Delaware Basin.

Q. Anything else with that exhibit?

A. No, sir.

Q. Let's turn to Exhibit 2, and tell us what's shown on that exhibit, please.

A. Exhibit 2 is a map -- portion of a map of Eddy County. The orange border that I've drawn on here delineates the pool as taken from the pool nomenclature.

You can see this is a very large pool. It encompasses about 58 and a half sections.

There's a green arrow down in the south central part of this -- of this map. This is the location -- bottomhole location that we're proposing here today for a gas well, a replacement gas well.

Q. All right. Go ahead and tell us what that proposed location will be.

A. Okay. We have delineated a window of the size 100 feet by 200 feet, and that description is 1,800 feet to 2,000 feet from the north line and 330 to 430 feet from the west line of Section 12, Township 22 south, Range 23 east, of Eddy County.

The well we're replacing is located to the west.

Q. How about to the east?

A. Excuse me, to the east.

Q. Is that well located in Unit F?

A. Yes, the current well is in Unit F. The proposed location is in Unit E, so we're actually moving about 2,000 feet to the west. The current location is 1,613 feet from the north line and 2,336 feet from the west line of Section 12.

Q. What proration unit would be assigned to this well?

A. We have special pool rules here of 640-acre

proration units and spacing rules of 1,650 feet from the section line and 330 feet from the quarter-quarter section line. Therefore, this proposed location would also be unorthodox.

Q. And the section that's assigned to the well now is Section 12?

A. That's correct.

Q. And that would be the same section that would be assigned to the well if this application is approved and we are successful in our endeavor?

A. Yes, sir.

Q. All right. Moving on to Exhibit 3, tell us briefly what's shown on Exhibit 3.

A. Exhibit 3 is a structure map prepared by our company. This shows the features of the field. This is a structural trap with a major fault delineating the west side of the field. There's no production on the west side of that fault.

The northern and southern limits of the field are delineated by porosity and permeability pinchouts shown here by a wavy line on this map, and then the down-dip limits are delineated by a gas-water contact.

Originally that gas-water contact was at minus 3,800 and with production -- this was discovered back in '63, and of course the gas-water contact has moved up

structure. We think now it exists at -- at least in the area of what we're talking about here today -- about minus 3,500 feet.

Q. Why don't you tell us a little bit of the general formation data and --

A. Okay.

Q. -- reservoir characteristics?

A. This is a very large gas -- non-associated gas reservoir. It's found at an average depth of about 7,621 feet, discovered in 1962. It's got an average porosity of 4.1 percent, average net pay thickness of 180 feet. It's got a water saturation of 21 percent, average permeability of 44 millidarcies.

It has had an original gas in place of about 1.7 trillion cubic feet of gas. To this point the field has produced about 1.1 trillion cubic feet, leaving, in our estimation, about 300 BCF left remaining to be recovered from the field.

Q. Now, you said that this well operated, if I understood you correctly, with some water encroachment from the east but that you had a volumetric and partial water drive combination drive mechanism in effect in the field.

A. I don't believe I've said that yet, but --

Q. Oh, all right. I thought you had.

A. The field --

Q. I'll have to pay more attention to what you've said. I thought you said that.

A. The field does produce what -- originally early in its life it appeared to be a volumetric reservoir but with time -- of course down-dip wells have watered out, and with 25, 28 years of production history it appears to be a combination drive of volumetric recovery up dip and a combination of water drive and volumetric down dip, and we can see that now on the overall P-over-Z curve for the field.

Q. And that's what I was getting ready to do, was very artfully lead into the fact that you had indicated there was water encroachment from the east and ask you if you had anything that showed that.

How about your Exhibit 4?

A. Right. Exhibit 4 is a bottomhole pressure. This is corrected for compressibility versus time. The early time data from about the mid-'60s to the mid-'70s shows a very straight line decline. There's some effect of in the mid-'70s, and we can see now where the effects of the water moving into the reservoir have supported pressure, and it's even more evident on the last four years -- last four points, starting from 1985 forward.

You can see that the average field pressure -- and this is based on a 24-hour shut-in wellhead

pressures -- has essentially flattened out, and of course this is indicating that as the total gas withdrawals in the field decrease because of declining capacity, that the encroaching water is able to basically overtake the reservoir and support the pressure.

Q. P-over-Z versus cumulative curve would indicate some additional, similar-type flattening, would it not?

A. Yes, sir, it does.

Q. But that kind of curve would not be truly appropriate for determining the gas in place or recoverable gas from a reservoir that had this combination drive mechanism you've been discussing, would it?

A. Yes. Even if you go back on the early time part of the cumulative curve, it still indicates some effect of water draw, even back in the early life.

Q. Did you mention the original bottomhole pressure in this field?

A. The original bottomhole pressure at discovery was 2,970 p.s.i., which is normally pressured. We found that same pressure -- or the industry found that same pressure existing on both sides of the fault, indicating that everything was normally pressured. There's no reason to believe that there was any abnormal pressure at all.

Q. Anything else on Exhibit 4?

A. No, sir.

Q. Now, Mr. Collier, in a non-standard location case, does the commission sometimes impose, in effect, a penalty by assigning an allowable factor other than, in this case, one to a well that is at a non-standard location?

A. Yes, sir, at times they have done that.

Q. And are there several methods that have been used?

A. Yes, sir.

Q. Have you made some investigation of some of those methods?

A. Yes, sir, I have.

Q. Let me direct your attention to Exhibit 5 and ask you what is being shown there.

A. Exhibit 5 is a map that I prepared to generate to lead to a proposed penalty factor for this well if it's approved. The well -- again, the existing well there in Section 12 is shown. I've drawn a straight line from that well, and it is shut in due to high water production.

But I've taken offsetting wells that were either nonproductive or watered out and determined what I believe is the remaining productive gas acreage on Section 12, underneath Section 12. That's the cross-hatched area. I've come up with 352 acres.

There's other data on this map that we can get

into later, but I've put on here in red the year end 1989 gas cumulative production volumes and the October 1990 gas sales rate.

But what's important here is to know that I believe that 352 acres remains productive of gas under this lease.

Q. While we're on this particular map -- it's fairly legible. I see a number of the offsets to the Section 12 are operated by Amoco.

A. Yes, sir.

Q. And who would the proposed location be crowding?

A. Amoco.

Q. And while we're here, have we advised, notified all the offsets of this application and requested waivers?

A. Yes, sir, we have done that.

Q. In fact, we've gotten a couple back, haven't we?

A. Correct.

Q. All right. Moving on, then, to Exhibit 6 -- and are we going to come back and talk some more about this acreage method of determination of acreage factor?

A. Yes, sir, we are.

Q. Well, let's move on to Exhibit 6, then, and tell us what's on that exhibit.

A. Exhibit 6, I have shown the proposed location. That's the red dot there in the western part of Section 12.

I show the existing location, and then just about 200 feet to the west of that I've shown an open circle, which would be the farthest up-dip, orthodox location that we could drill. That would be a 1,650 out of the -- off the both lease lines location.

I've calculated the size radius circle to encompass 352 acres, and I put that circle around with a center at an orthodox location and the same size circle with the center at the proposed unorthodox location. And you can see, whether it's orthodox or unorthodox, there's going to be some effect of encroachment throughout the life of this well, proposed well -- whether it would be orthodox or unorthodox.

And the green cross-hatched area would be that area encoached by an orthodox location. The red cross-hatched area would be the encroachment area caused by the location of the unorthodox well.

Q. All right. What are those two areas?

A. It would be 48 acres for an orthodox location and 150 acres for the proposed location.

Q. Anything else on Exhibit 6?

A. No, sir.

Q. Let's move to Exhibit 7, and tell us what you've done on Exhibit 7.

A. On Exhibit 7 I have gone through a series of

calculations to calculate what I recommend is a penalized acreage factor or allocation factor for this well if it is located at the proposed location. I've chosen three methods and have averaged the three to come up with a factor.

I took the productive acreage method, which I talked about, the 352 acres, over the total originally productive of 640 and came up with a factor of 0.55.

I then compared the -- using the two circle methods which I just reviewed -- and found that 71 percent of the drainage pattern is coming from the Section 12. In other words, 71 percent -- retaining 71 percent would be protecting correlative rights.

And then I've ratioed the distance between the unorthodox and the standard location, which is 330 over 1,650, which is a factor of 0.2. I then averaged .55, .71 and .2 and came up with the average of .487 for an allocation factor.

Q. Is that your recommendation, then?

A. Yes, sir.

Q. Now, have other wells been re-drilled under some similar circumstances in the Indian Basin Upper Penn Gas Field --

A. Yes, sir, they have.

Q. -- Pool? And were any of them in the -- were

they similarly assigned an acreage factor of less than one?

A. Yes, sir.

And I'd like to refer back to Exhibit 5. There have been numerous unorthodox wells authorized by the commission in this field, and on this map segment two of them happen to be on here, the two that I'd like to talk about.

Just to the north in Section 1 there is an unorthodox location which was a re-drill of the old original watered-out well. That was authorized in 1987, December of '87, by the commission under NSL-2453, drilled by Musselman, Owen and King. It's a the Smith Federal No. 2. It has a penalty factor of 0.57. It was a re-drill.

And then just to the north of that, which is up in the next township, is -- in Section 36 -- the Monsanto was authorized an unorthodox location by Order R-8162 in February of 1986; and that location is 330 feet out of the corner. That was also a re-drill due to the original well being watered out, and that was given a penalty factor of 0.36, an allocation factor of 0.36.

Q. All right, sir. Let me just ask you to summarize for us what Amoco is asking for here today.

A. Amoco is simply asking the commission to authorize re-drilling a well in a competitive gas pool

that's off production because of water encroachment. We want to reenter the existing well and sidetrack it and directionally drill to a location 330 to 430 feet off the lease line to produce what we think are remaining reserves of gas under that lease. That's an unorthodox location, and it will be directionally drilled.

That's our recommendation.

Q. All right, sir. And in conjunction with that, you're also recommending that if an allowable factor be assigned, it be .487?

A. Yes, sir, that's true.

Q. I asked you earlier about notice and that we had made waiver requests. Have we received any waivers?

A. Yes. There are -- were six parties offset to us that we noticed and requested waivers, and two of those were sent back signed. The other four --

Q. Who were they?

A. The two that signed were Hondo Oil and Gas and Santa Fe Limited Partners.

MR. CURRENS: Mr. Examiner, if you don't have copies of those in your file now, I will send them to you. I had not brought them along as exhibits. We've just gotten them in. Perhaps they may not have even gotten to your file yet, but if it's okay, I'll send you copies of those.

EXAMINER STOGNER: I don't see them, and if you would

supplement this file with those copies --

MR. CURRENS: All right, sir.

EXAMINER STOGNER: -- it would be appreciated.

Q. (By Currens) Do you have anything else, Mr. Collier?

A. Just back again with reference to Exhibit 5. If the examiner would like, I can update those gas production figures to the end of 1990. That would be one more year's worth of data, if he would like.

EXAMINER STOGNER: I don't think that will be necessary at this time, Mr. Collier. I appreciate it anyway.

THE WITNESS: Okay. All right.

MR. CURRENS: In that case, I'll offer Exhibits 1 through 7 and tender the witness for your examination.

EXAMINER STOGNER: Exhibits 1 through 7 will be admitted into evidence.

(Whereupon Applicant's Exhibits 1 through 7 were admitted into evidence.)

EXAMINATION

BY EXAMINER STOGNER:

Q. Let's refer back to Exhibit 3.

The gas-water contact you show at 3,800 feet, and that was as of what date or --

A. That was the original. That was --

Q. The original?

A. The field was discovered in '62. There wasn't really much significant production before about '64 or '65.

Q. And now it appears to be at about 3,500 feet?

A. We think it is.

Based on our study of the field, a well will start making water when the gas-water contact is within about 140 feet of the bottom perforation, so -- of course that will vary across the field, I guess, with producing rate, but -- we do plan, hopefully, to pick up a little bit of structure there, and the plan is to hopefully move away from that contact to give us a little bit of producing window.

Q. Look at the wells in Section 7 and 6 and for that matter the well in Section 1 in the northeast quarter. Are those no longer producing?

A. In Section 1, that well is no longer producing. In fact, the unorthodox location I mentioned earlier down in the southwest part of that section was replacement for that No. 1.

We have 640-acre spacing, so there's just one well per section.

Q. And the well in 7 and Well 6 -- they are no longer producing?

A. No, those are all off production. Those are

watered out.

Q. Now, this pool is a prorated gas pool, is it not?

A. Yes, it is.

MR. STOVALL: Do you have certificates of notice, sending notice?

MR. CURRENS: Yes. We'll submit those.

EXAMINATION

BY MR. STOVALL:

Q. Where do the offsets that you've gotten the waivers from, where are their interests?

A. Okay. Santa Fe Limited Partners is to the east of us, I believe, in Section 7 and 6, in the next township. And then Hondo is, I think, in Section 13 -- no, Section 18.

So they were all to the east of us.

Q. Sections 11 and 12 are both federal leases?

A. Yes, they are. 11 is federal lease. 12 is a communitized lease.

Q. Is it communitized -- two federal leases communitized or is it federal plus?

A. It's 50 percent federal and 50 percent --

Q. Something else?

A. -- non-federal, yes.

Q. Okay.

A. 11 is all federal.

EXAMINER STOGNER: Anything further, Mr. Currens, of this witness?

MR. CURRENS: That's all I have. I'll hand you the cards as we close this hearing.

EXAMINER STOGNER: Okay. Mr. Collier, you may be excused.

Does anybody have anything else further in this case?

If not, this case will be taken under advisement.

(The foregoing hearing was concluded at the approximate hour of 1:55 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10172, heard by me on 21 March 1991.

Michael E. Stogner, Examiner
Oil Conservation Division

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

REPORTER'S CERTIFICATE

I, PAULA WEGEFORTH, a Certified Court Reporter and Notary Public, DO HEREBY CERTIFY that I stenographically reported these proceedings before the Oil Conservation Division; and that the foregoing is a true, complete and accurate transcript of the proceedings of said hearing as appears from my stenographic notes so taken and transcribed under my personal supervision.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome hereof.

DATED at Santa Fe, New Mexico, this 22nd day of April, 1991.

Paula Wegeforth

PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264, Notary Public

My Commission Expires:
September 27, 1993

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

IN THE MATTER OF:)
APPLICATION OF AMOCO PRODUCTION COMPANY)
FOR DIRECTIONAL DRILLING AND AN) CASE NO. 10272
UNORTHODOX BOTTOMHOLE GAS WELL LOCATION,)
EDDY COUNTY, NEW MEXICO.)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Examiner

May 2, 1991
9:56 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on May 2, 1991, at 9:56 a.m. at the Oil Conservation Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Susan G. Ptacek, a Certified Court Reporter No. 124, State of New Mexico.

FOR: OIL CONSERVATION DIVISION

BY: SUSAN G. PTACEK
Certified Court Reporter
CCR No. 124

I N D E X

May 2, 1991
Examiner Hearing
Case No. 10272

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR AMOCO PRODUCTION COMPANY: CAMPBELL & BLACK, P.A.
Attorneys at Law
BY: WILLIAM F. CARR, ESQ.
110 N. Guadalupe
Santa Fe, New Mexico 87501

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EXAMINER STOGNER: Call next case, number 10272.

MR. STOVALL: Application of Amoco Production Company for directional drilling and an unorthodox bottomhole gas well location, Eddy County, New Mexico.

EXAMINER STOGNER: This case was heard on March 21. It was taken under advisement. Due to some advertisement concerns, this case is being reopened at this time.

I will call for appearances.

MR. CARR: May it please the examiner, my name is William F. Carr with the law firm Campbell & Black, P.A. of Santa Fe. We represent Amoco Production Company in association with Mr. Daniel R. Kerns, attorney for Amoco from Houston.

Following the March 21 hearing it was discovered that the notice requirements of the division had not been met. We provided notice by certified mail for all effective parties on April 10. At this time I would like to offer an affidavit confirming that notice of this matter has been provided to all effective parties in accordance with the provisions of Rule 1207. And with that we would request that the case be taken under advisement.

EXAMINER STOGNER: Does anybody else have anything further in this case? Mr. Kerns, do you have anything further?

MR. KERNS: No, Mr. Examiner, I don't.

EXAMINER STOGNER: Case number 10272 will once again be taken under advisement.

(Whereupon, the hearing was concluded at the approximate hour of 9:57 a.m.)

* * *

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

REPORTER'S CERTIFICATE

I, Susan G. Ptacek, a Certified Court Reporter and Notary Public, do HEREBY CERTIFY that I stenographically reported the proceedings before the Oil Conservation Division, and that the foregoing is a true, complete and accurate transcript of the proceedings of said hearing as appears from my stenographic notes so taken and transcribed under my personal supervision.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome thereof.

DATED at Santa Fe, New Mexico, this 7th day of June, 1991.

Susan G. Ptacek

SUSAN G. PTACEK
Certified Court Reporter
Notary Public

My Commission Expires:
December 10, 1993

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10272, heard by me on 2 May 1991.

, Examiner
Oil Conservation Division