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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10,755

EXAMINER HEARING

IN THE MATTER OF:

Application of Hal J. Rasmussen Operating, Inc,
for unorthodox locations and simultaneous
dedication, Lea County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

ORIGINAL



STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
July 29, 1993

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A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

PADILLA & SNYDER
Attorneys at Law
By: ERNEST L. PADILLA
200 West Marcy, Suite 216
P.O. Box 2523
Santa Fe, New Mexico 87504-2523

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* * *

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

3 EXAMINER STOGNER: Call next case, Number
4 10,755.

5 MR. STOVALL: Application of Hal J. Rasmussen
6 Operating, Inc, for unorthodox locations and
7 simultaneous dedication, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. PADILLA: Mr. Examiner, my name is Ernest
10 L. Padilla, Santa Fe, New Mexico, for the Applicant. I
11 have one witness to be sworn.

12 EXAMINER STOGNER: Any other appearances?
13 Will the witness please stand and be sworn?
14 (Thereupon, the witness was sworn.)

15 MR. PADILLA: Mr. Examiner, first of all let
16 me -- I've handed you the exhibits that we have
17 prepared for this, the Applicant has prepared.

18 I also want to submit an affidavit and a
19 certified notice with the return addresses -- copies of
20 the return receipts for the various interest owners
21 that we have contacted.

22 Your Honor, the reason I submitted the
23 affidavit is because we were unable to find an address
24 for Wolfson Oil Company.

25 We called the Oil Conservation Division, the

1 Bureau of Land Management and the Land Office, and my
2 recollection is that there was a Wolfson Oil Company
3 around but we just could not find that, and the
4 Applicant could not supply that to us either.

5 So I believe that publication will have to
6 suffice for Wolfson Oil Company.

7 With that, I'll proceed.

8 GREG RASMUSSEN,

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

11 DIRECT EXAMINATION

12 BY MR. PADILLA:

13 Q. For the record, would you please state your
14 name?

15 A. My name is Greg Rasmussen.

16 Q. Mr. Rasmussen, where do you live?

17 A. Midland, Texas.

18 Q. And what is your relationship to the
19 Applicant?

20 A. I'm an interest owner in the operating
21 company and also an interest owner in the property.

22 Q. Mr. Rasmussen, have you testified before the
23 Oil Conservation Division before?

24 A. No, I have not.

25 Q. What professional qualifications do you have

1 as an engineer to testify here today?

2 A. I graduated as a petroleum engineer from the
3 University of Texas at Austin. I've been in the
4 industry for ten years or so.

5 Our operating company has probably operated
6 250 wells within the general vicinity of this lease,
7 oversea operations and acquisitions, divestitures,
8 geology, engineering, basically all aspects.

9 Q. What phases of the operations are you
10 involved in for the Applicant?

11 A. I'm a production engineer, surface
12 facilities, geology.

13 Q. Are you involved in land matters as an
14 interest owner?

15 A. Yes, I am.

16 Q. And you're familiar with your offset
17 operators and who your working interest owners -- or
18 working interest partners are, and that sort of thing?

19 A. Yes, I am.

20 Q. And Rasmussen Operating, Inc., is a small
21 company, I take it?

22 A. It is.

23 MR. PADILLA: Mr. Examiner, we tender Mr.
24 Rasmussen as an expert in engineering, petroleum
25 engineering.

1 EXAMINER STOGNER: Mr. Rasmussen is so
2 qualified.

3 Q. (By Mr. Padilla) Mr. Rasmussen, have you
4 prepared or had compiled for introduction here at this
5 hearing today certain exhibits?

6 A. I have.

7 Q. And those -- In this case you have how many
8 exhibits?

9 A. Five.

10 Q. Five? Okay. Can you briefly tell the
11 Examiner what the purpose of this hearing is?

12 A. We wish to drill some unorthodox locations
13 and recover the oil that we might not otherwise
14 recover.

15 Q. Are these locations in the nature of infill
16 drilling? In other words, additional wells to
17 proration units existing?

18 A. Yes, they are.

19 Q. Okay. Let's go on to Exhibit Number 1 and
20 have you identify that for the Examiner, please.

21 A. This is an ownership map of the Scarborough
22 Pool.

23 Q. And outlined in yellow -- You have acreage
24 outlined in yellow in that exhibit. What is that?

25 A. Those are the leases, of which we operate.

1 Q. And the green dots, what are those?

2 A. Those are the proposed wells, of which we
3 wish to drill.

4 Q. Can you briefly tell the Examiner who the
5 offset operators are in that -- as shown on that
6 exhibit?

7 A. We are the offset operators to the west,
8 Bruce Wilbanks is offset operators to the north,
9 Meridian is offset operators to the east, and the wells
10 to the south are inactive.

11 Q. Are they --

12 A. They're plugged.

13 Q. -- Bureau of Land Management property? Is
14 that --

15 A. Yes, sir.

16 Q. Okay. Is that all you have on Exhibit Number
17 1?

18 A. That's correct.

19 Q. Let's go on to Exhibit Number 2 and have you
20 tell what that is.

21 A. This is a structure map on the formation of
22 which we wish to produce from on the lease of which we
23 operate.

24 Q. What about the structure in this area? What
25 does this exhibit show?

1 A. Basically, it shows that the structure rises
2 approximately 200 feet in one to two locations.

3 Q. Now, it appears that you're drilling your
4 wells at locations that are between existing wells; is
5 that correct?

6 A. That is correct.

7 Q. Effectively, what does that do in terms of
8 drainage and recovery of oil?

9 A. We should recover oil between the existing
10 wells, of which would not be recovered without drilling
11 these wells.

12 Q. Mr. Rasmussen, have you brought today any
13 type of production data concerning the wells on the
14 existing proration units?

15 A. I have.

16 Q. And is that in the form of the next exhibit?

17 A. It is.

18 Q. Can you show the Examiner what type of
19 production is being obtained from the existing wells in
20 the proration units?

21 A. The existing well in the proration unit of
22 which we wish to drill, Eaves A20, is a TA'd well, the
23 well.

24 Q. On Exhibit 2 you've indicated the name of the
25 proposed well; is that correct?

1 A. Yes, sir, that's the Eaves A20.

2 Q. And that's the well up to the north --
3 northermost well?

4 A. That is correct. It's highlighted on Exhibit
5 4.

6 Q. Okay. Let's identify Exhibit 4, since you've
7 referred to it. What is that?

8 A. This is the lease of which we operate. It's
9 broken up into proration units. The highlighted
10 proration units are where we're wanting to drill.

11 Q. Now, with respect to the Eaves A20, is the
12 advertisement for this case incorrect?

13 A. It is correct on this exhibit.

14 Q. And is the advertisement incorrect?

15 A. The advertisement is incorrect.

16 Q. In what respect?

17 A. It's a typo. It's supposed to be off the
18 north line and not off the south line.

19 Q. And what happened -- What's the difference in
20 the --

21 A. It moves the well about 40 feet.

22 Q. And moves it off of the proration unit; is
23 that --

24 A. It moves it off of the proration unit, yes.

25 Q. It moves it to the proration unit where the

1 5A well is located?

2 A. It moves it into the proration unit in which
3 the 4A is located. And there's also a proposed
4 drilling, the proration unit of which 5A is located.

5 Q. In terms of the surrounding acreage, you
6 operate all of the acreage on both proration units, or
7 actually all the way to the west, as shown on this
8 exhibit; is that correct?

9 A. That is correct.

10 Q. Is any offset operator affected by the change
11 of location of the well?

12 A. No, sir.

13 Q. Okay. Let's go on, now, and have you discuss
14 the production data that's shown on Exhibit Number 3,
15 as far as the existing wells are concerned.

16 A. The production data which I've submitted is
17 derived from *Dwight's* production. It shows what wells
18 are producing. The A4 is a shut-in well. The Eaves A5
19 is a water-injection well. The Eaves A13 is a well --

20 Q. Okay, slow down so that the Examiner can
21 follow you.

22 A. I'm sorry. The Eaves A4 is a shut-in well.
23 I'm starting on the north, to the north heading south.

24 Q. You're looking at Exhibit Number 4 now?

25 A. I am.

1 Q. Okay.

2 A. In the highlighted areas, the northernmost
3 proration unit, the existing well is Well 4A. We wish
4 to drill a well, Eaves A20, in that same proration
5 unit. The Eaves A4 is TA'd.

6 Q. What plans do you have for further production
7 from that well?

8 A. We have no plans to re-enter it at this time.

9 Q. Do you have any plans to plug the well?

10 A. No.

11 Q. At some point you'll have to make some
12 decision as to what you're going to do?

13 A. Yes, at some time we'll have to decide to
14 plug it or work it over and try to produce it.

15 Q. Okay. Which is the next proration unit now?

16 A. Pardon?

17 Q. Now, you -- the next proration unit --

18 A. Yes.

19 Q. -- or the next well you want to talk about.

20 A. We wish to drill a well named Eaves A19.

21 It's in the proration unit of which the well 5A is in.

22 5A is a water injection well; it is not
23 making any oil.

24 Q. Okay, essentially simultaneous dedication
25 will not be necessary for that well, then?

1 A. No, sir.

2 Q. How about moving on down, I guess? The next
3 well is the 13A; is that correct?

4 A. Yes, sir, that's the Eaves A18, is a well of
5 which we wish to drill. The Eaves A13 is currently
6 producing; it is making about 40 barrels per day.

7 Q. And where is that shown on Exhibit 3?

8 A. *Dwight's* production is not current. It won't
9 reflect that production. We've worked on the well, and
10 it's doing more than it was.

11 Q. And what is your testimony as to what the
12 amount of current production is on that well per day?

13 A. I handle field operations, and I continuously
14 know what the wells are doing.

15 Q. No, I understand that, but what did you say
16 it was producing on a --

17 A. It's producing about 40 barrels of oil per
18 day.

19 Q. And how would you allocate the production
20 from the 13A to the Eaves A18?

21 A. The allowable in that particular proration
22 unit is 128 barrels of oil per day. Because the A13 is
23 doing 40, you can increase the production on that
24 proration unit 88 barrels a day --

25 Q. Okay.

1 A. -- without going over allowable.

2 Q. How about the Eaves B20 proration unit?

3 A. That is in the same proration unit as the
4 Eaves B7. The Eaves B7 is currently TA'd.

5 Q. Do you have any plans to rework or plug that
6 well, the 7B?

7 A. We have plans to rework the 7B. It's a
8 function of how much oil is produced from the Eaves
9 B20.

10 Q. Can you tell the Examiner generally the
11 production history of these wells and how you acquired
12 these wells, what you're trying to accomplish?

13 A. Conoco at one time owned these leases. They
14 in turn sold them to a company called Elk Energy. We
15 since then have acquired this company, this property,
16 this lease, from Elk Energy.

17 Basically, the lease wasn't doing very much
18 oil, and we have plans to work over the property and
19 try to recover more oil.

20 Q. In your opinion, Mr. Rasmussen, would
21 approval of this Application result in greater ultimate
22 recovery from this pool?

23 A. Yes, it will. Without drilling these wells,
24 you will not recover the oil between the two existing
25 wellbores.

1 Q. Are you saying that 40-acre spacing
2 essentially won't do the job here?

3 A. No, it won't.

4 Q. Okay. Let's go on to exhibit Number 5, if
5 that's all you have on Exhibit Number 4, and tell the
6 Examiner what that is.

7 A. This is a typical log in the formation in
8 which we wish to produce.

9 Q. That just simply is for informational
10 purposes?

11 A. That is correct.

12 Q. Mr. Rasmussen, would approval of this
13 Application be in the best interests of the
14 conservation of oil and gas, in your opinion?

15 A. Yes, it would.

16 Q. Would it result in preventing underground
17 waste?

18 A. It would.

19 MR. PADILLA: Mr. Examiner, I have nothing
20 further of the witness, and I pass the witness at this
21 time.

22 EXAMINATION

23 BY EXAMINER STOGNER:

24 Q. Mr. Rasmussen, in looking at Exhibit Number
25 1, and 2 both --

1 A. Yes, sir.

2 Q. -- is this essentially two different leases?

3 A. Yes, sir.

4 Q. You have the Eaves A and --

5 A. We have an Eaves A and the Eaves B.

6 Q. Okay. The Eaves A, let's discuss that one.

7 A. Yes, sir.

8 Q. That's the one that starts in 19 and also
9 includes the north half, north half of 30?

10 A. Yes, sir.

11 Q. Is that under active waterflood or active
12 pressure maintenance?

13 A. It's a pressure maintenance.

14 Q. Now, the Evans B [sic], which is -- looks
15 like it has some undivided acreage in it in Section
16 30 --

17 A. That is correct.

18 Q. -- that is not included in that pressure
19 maintenance, is it?

20 A. That is correct.

21 Q. Since there are provisions in the 104 for
22 unorthodox locations on pressure maintenance and
23 waterfloods, I'm not too concerned about those.

24 But the one in -- the B20, that's the one
25 that I guess essentially had you come in for hearing

1 today, because it's geological as opposed to
2 topographic.

3 But the characteristics are the same between
4 the two?

5 A. That is correct.

6 Q. When were these wells in the Evans B [sic]
7 drilled? How long was production?

8 A. They were originally drilled in probably the
9 Forties.

10 Q. In the Forties. Has there been any infill
11 drilling in this area prior?

12 A. You can see on Exhibit 2 -- Excuse me, let's
13 look on Exhibit 4. Conoco apparently drilled one
14 called the Eaves A15.

15 Q. And that has been the only extent?

16 A. That's the only well -- That's the only
17 second well drilled in A proration unit.

18 Q. So essentially you -- I mean, it's quite
19 obvious you've got old production you just want to
20 infill out there.

21 A. Uh-huh.

22 Q. Are there other -- Are there plans to include
23 any additional input, injection wells in the Eaves A
24 waterflood area?

25 A. Not at this time. We have the water-handling

1 facilities. If we reach a point where we can't get rid
2 of the water, we'll have to make changes.

3 Q. Okay. Which wells are input wells on that
4 Eaves A?

5 A. On the Eaves A, the only infill well would be
6 the --

7 Q. I'm sorry, water input. Input --

8 A. Water input is the 10A, which is in the
9 right-handmost -- southeast of southeast, Section 19,
10 position P. 7A is a water injection well, which would
11 be position I or K. And well number 5A is a water
12 injection well.

13 Q. Have those been historically the only three
14 injection wells?

15 A. Yes, sir.

16 Q. As far as the actual location, you all
17 referred to a typo. Which well was that again?

18 A. That was the Eaves A20.

19 Q. A20. And what is the actual location?

20 A. I don't have before me an exhibit of which
21 identifies the location.

22 However, if you look on the Eaves A20 -- I
23 believe you have it; perhaps Ernie does -- the typo was
24 that it was X feet from the south line, where it should
25 have been X feet from the north line.

1 MR. PADILLA: Mr. Examiner, the advertisement
2 referred to that.

3 THE WITNESS: The Eaves A20.

4 MR. PADILLA: It's 2570 feet from the south
5 line, and it should say 2570 feet from the north line.
6 And that's the Eaves A20.

7 EXAMINER STOGNER: That appears in what your
8 Application stated, Mr. Padilla?

9 MR. PADILLA: Let me check that for you.

10 EXAMINER STOGNER: But not enough to warrant
11 a readvertisement.

12 Q. (By Examiner Stogner) Mr. Rasmussen, has
13 there been APDs filed on these four wells at this point
14 with BLM?

15 A. APDs --

16 MR. PADILLA: Approval for drilling.

17 Q. (By Examiner Stogner) Applications for
18 Drilling.

19 A. I don't believe so.

20 Q. Have these wells been staked?

21 A. No, they have not.

22 Q. And they're on federal land?

23 A. The mineral interests are owned by the
24 federal government.

25 Q. So who will you be applying your APD, or your

1 Application to Drill, with?

2 A. To the Bureau of Land Management.

3 MR. PADILLA: Mr. Examiner, our Application
4 was incorrect on that, so -- The Division picked it up
5 correctly.

6 EXAMINER STOGNER: Okay, I have no other
7 questions at this time.

8 Mr. Stovall?

9 MR. STOVALL: I have no questions.

10 EXAMINER STOGNER: We can only hope that the
11 BLM don't require you to move one of the locations
12 after the Order is issued.

13 This case will be taken under advisement.

14 (Thereupon, these proceedings were concluded
15 at 11:18 a.m.)

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