

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,756

EXAMINER HEARING

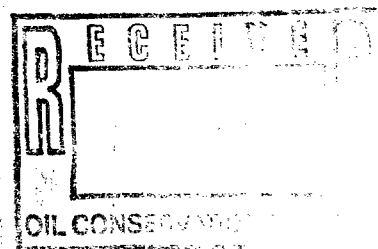
IN THE MATTER OF:

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

**ORIGINAL**

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 29th, 1993

## 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  
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Santa Fe, New Mexico 87504-2523

\* \* \*

## I N D E X

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## E X H I B I T S

## APPLICANT'S EXHIBITS:

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\* \* \*

1           WHEREUPON, the following proceedings were had  
2           at 11:19 a.m.:

3           EXAMINER STOGNER: Call next case, Number  
4           10,756.

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: Are there appearances in  
9           this case?

10          MR. PADILLA: Mr. Examiner, my name is Ernest  
11          Padilla for the Applicant, and I ask that the witness  
12          who testified in the prior case for the Applicant be  
13          considered qualified and sworn.

14          EXAMINER STOGNER: The record will so show.  
15          Are there any other appearances?

16          MR. PADILLA: And I'm handing you the  
17          exhibits for this case and our certified notice to the  
18          offset operators.

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

22                       DIRECT EXAMINATION

23          BY MR. PADILLA:

24               Q.    Mr. Rasmussen, can you tell the Examiner what  
25          this hearing is about?

1           A.    We wish to drill additional wells on  
2 unorthodox locations.

3           EXAMINER STOGNER:   What type of wells?

4           THE WITNESS:   Oil wells.

5           Q.    (By Mr. Padilla)   Mr. Rasmussen, have you  
6 prepared exhibits for introduction at this hearing?

7           A.    I have.

8           Q.    Is this Application very much in the nature  
9 of the previous case?

10          A.    Yes, it is.

11          Q.    Let's go to what we have marked as Exhibit  
12 Number 1 and have you identify that for the Examiner.

13          A.    This is an ownership map.   The green dots are  
14 the proposed locations.

15          Q.    And you're asking for two unorthodox  
16 locations; is that right?

17          A.    That is correct.

18          Q.    And those are second wells in the proration,  
19 right?

20          A.    That is correct.

21          Q.    Outlined in yellow, I take it, is the acreage  
22 that you operate as shown on Exhibit 1?

23          A.    That is correct.

24          Q.    Let's move on to what we have marked as  
25 Exhibit 2, and identify that for the Examiner, please.

1           A.    This is a structure map.  Again, the proposed  
2           locations are the green dots, the Eaves -- the Sholes  
3           A9 and the Sholes A10.

4           Q.    And you have cross-hatched in yellow --  
5           correction, in red -- the proposed -- the existing  
6           proration unit?

7           A.    That is correct.

8           Q.    And the proration unit covering the northeast  
9           quarter of that Section 24 -- Is that Section 24?

10          A.    It is.

11          Q.    Okay.  What is the existing well, or which is  
12          the existing well in that proration unit?

13          A.    The existing well in the northeast of the  
14          northeast proration unit is the Sholes A20.

15          Q.    And what is the status of production of that  
16          well?

17          A.    It's currently making about 40 barrels a day.

18          Q.    And is that shown on Exhibit 3, that --

19          A.    No, sir, it is not.

20          Q.    And why is that?

21          A.    The production data at *Dwight's* is not up to  
22          date.

23          Q.    And are you familiar with the production data  
24          for that well?

25          A.    Yes, I am.

1 Q. Okay. How about the well in the southeast  
2 quarter, southeast quarter of that section? What is  
3 its production status?

4 A. The Sholes A1?

5 Q. Yes.

6 A. It's doing 30 barrels of oil per day.

7 Q. What's the allowable for this pool?

8 A. The allowable is -- for each proration unit,  
9 is 80 barrels of oil per day, per well.

10 Q. What other experience do you have -- Well,  
11 let me ask the question this way: Is your company  
12 currently operating infill production such as you're  
13 requiring -- or requesting -- here, to better drain the  
14 proration units?

15 A. Yes. Again, this lease was purchased from  
16 Conoco. The Eaves lease was also purchased from  
17 Conoco. Conoco drilled the A15, the Eaves A15, and we  
18 would like to drill one on the Sholes.

19 Q. Is there anything further you'd like to  
20 testify concerning -- Well, let me have you discuss for  
21 the Examiner the type of geology found in this  
22 Application as shown on Exhibit Number 2.

23 A. If you look on Exhibit Number 2 of this case,  
24 you'll note that the structure rises approximately 200  
25 feet in elevation in a mere one location. That's

1 indicative of a reef. There's a strong water drive.

2 Q. In terms of water drive, why is it necessary  
3 to drill the second well on a proration unit?

4 A. In order to produce -- recover the oil in  
5 between the existing wells on the current proration  
6 units, you have to have a lateral force moving the oil  
7 sideways, because the amount of water down there, the  
8 oil is not going to move sideways.

9 Q. And that requires the drilling of the second  
10 well?

11 A. That is correct.

12 Q. What's Exhibit Number 4, Mr. Rasmussen?

13 A. A typical log.

14 Q. And that's just given for the Division's  
15 information; is that correct?

16 A. That is correct.

17 Q. Mr. Rasmussen, would approval of this  
18 Application be in the best interests of ultimate  
19 recovery of oil and gas?

20 A. Yes, it would.

21 Q. And would it be in the best interests of  
22 conservation of oil and gas?

23 A. Yes, it would.

24 MR. PADILLA: Mr. Examiner, we tender  
25 Exhibits 1 through 4 and pass the witness.



1 EXAMINER STOGNER: Exhibits 1 through 4 will  
2 be admitted into evidence.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Okay, the Jalmat Oil and Gas Pool consists of  
6 several formations, this being in an oil interval. Is  
7 it strictly confined to the Seven Rivers?

8 A. Yes, sir.

9 Q. Where are some of the -- In what formation  
10 does the gas usually appear?

11 A. The Yates is generally a gaseous formation.  
12 The Yates is above the Seven Rivers.

13 Q. Now, the wells offsetting to the west of this  
14 160 acres -- I'll refer to the east half, east half --  
15 are those gas or oil wells?

16 A. They're gas wells.

17 Q. In the Yates?

18 A. In the Yates formation, yes, sir, whereas our  
19 oil wells are completed in the Seven Rivers.

20 Q. Both, however, still subject to the Jalmat  
21 Oil and Gas Pool Rules, correct?

22 A. Yes, sir.

23 Q. In Unit I or the northeast quarter of the  
24 southeast quarter, do you personally have two wells  
25 already on that quarter section -- quarter quarter

1 section?

2 A. Position 9?

3 Q. Unit 9?

4 A. Yes, there's a well in there. It's called  
5 the Sholes A8.

6 Q. And is that producing?

7 A. It is producing. It's in the Yates  
8 formation. It's a gas well.

9 Q. Gas well?

10 A. Yes, sir.

11 Q. And what's its present dedicated acreage?

12 A. I believe it's dedicated in position I.

13 Q. Being how many acres?

14 A. Forty acres.

15 Q. And how many acreage factors would that be  
16 assigned?

17 A. I don't know.

18 Q. What would constitute an acreage factor -- Do  
19 you know what an acreage factor is in a Jalmat gas  
20 proration unit?

21 A. No, sir, I do not.

22 Q. You do not? I thought you were familiar with  
23 the operations out here.

24 A. I am.

25 Q. You don't know what constitutes a four or a

1 one acreage factor in the gas pool, Jalmat Gas Pool?

2 A. Not phrased as such.

3 EXAMINATION

4 BY MR. STOVALL:

5 Q. Do you operate any Jalmat Gas Wells, Mr.  
6 Rasmussen?

7 A. Yes, sir.

8 Q. You're familiar with the allowable structure?

9 A. Yes, sir.

10 Q. Do you know how that's calculated?

11 A. Not off the top of my head. Quite frankly,  
12 we don't have a lot of wells that do the top allowable.

13 Q. When you look at the schedule, what do you  
14 look at? You see -- You're familiar with the gas  
15 proration schedule, right?

16 A. Yes, sir.

17 Q. What do you look at when you look at it for  
18 your wells?

19 A. I'm not sure I understand the question.

20 Q. Well, how do you determine whether or not  
21 your wells are operating legally within the allowable,  
22 whether they're over-produced --

23 A. Not only do I help handle some of the  
24 legalities, but we have other people in our office that  
25 handle those also.

1 Q. Okay. So you're not in charge of production  
2 and keeping in compliance with the proration schedule;  
3 is that correct?

4 A. I am not the sole person that does that.

5 MR. STOVALL: Mr. Rasmussen, I'm going to  
6 make a suggestion that you familiarize yourself with  
7 that concept of the acreage factor concept. It's  
8 fairly essential to gas proration in the State of New  
9 Mexico so --

10 THE WITNESS: Okay.

11 MR. STOVALL: -- something you may wish to be  
12 familiar with it.

13 FURTHER EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. I'm trying to find what the proration unit  
16 is. I'm trying to find some sort of documentation.

17 Could you supply that to me on Unit I for  
18 that well number 8?

19 Now you also have an oil well on there too,  
20 don't you?

21 A. That is correct.

22 I'd like to point out that Conoco drilled  
23 that well 8 also.

24 Again, we acquired this lease perhaps six  
25 months, a year ago. Without looking specifically to

1 that well number 8, I guess I'm assuming they did it  
2 properly.

3 FURTHER EXAMINATION

4 BY MR. PADILLA:

5 Q. Do you know how much acreage is dedicated to  
6 that gas well? Is it 320 acres or 160?

7 A. It's the only gas well on that particular  
8 lease.

9 Q. Do you know whether the east half or the  
10 south half of that section is dedicated to the well?

11 A. No, I do not.

12 FURTHER EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. How about the number 1?

15 A. The Sholes A1 is again in position P.

16 Q. And that's a 40-acre oil, right?

17 A. Yes, sir.

18 Q. And the number 2?

19 A. Number 2 is a 40-acre proration unit. It's  
20 an oil well.

21 Q. And number 3?

22 A. Three is an oil well.

23 FURTHER EXAMINATION

24 BY MR. STOVALL:

25 Q. Information with respect to the Sholes A

1 Account 1 Well Number 5, I think that's the -- are you  
2 talking about the --

3 A. That is also the Sholes A8

4 MR. STOVALL: Yeah, I understand. It appears  
5 that what has happened is that the completion resulted  
6 in a change. There's a sundry notice changing it from  
7 the number 5 to the number 8, dropping the AC1.

8 We have a sundry here which references  
9 approval for a nonstandard proration unit and  
10 unorthodox gas well location, but it's not actually  
11 attached to the copy -- This is a BLM sundry notice and  
12 the approval is not attached, as you've referenced.

13 I think there is some confusion about what  
14 this well is -- or where, I mean what the dedication of  
15 it is.

16 EXAMINER STOGNER: That's what I was hoping  
17 to bring to light. At this time --

18 Q. (By Mr. Stovall) Do you have a Division  
19 Order? Do you know who you pay on this well? Is there  
20 anybody in the well besides Rasmussen?

21 A. There are other interest owners in the  
22 leases.

23 MR. STOVALL: The reference, Due to  
24 completion of this well in the Jalmat Gas Pool, it is  
25 no longer communitized -- I assume you're not -- Since

1 that was done in 1984. I assume you're not familiar  
2 with it; is that correct?

3 MR. PADILLA: Mr. Examiner, I'm not sure that  
4 I understand the problem. If the well is a gas well,  
5 then it presumably would have a gas dedication within  
6 the Yates pool.

7 EXAMINER STOGNER: That precisely is the  
8 problem.

9 Are you familiar with Order R-8181H, the  
10 Jalmat Gas/Oil Pool Rules?

11 MR. PADILLA: I read them in terms of filing  
12 this Application, Mr. Examiner. For oil spacing it's  
13 40 acres.

14 EXAMINER STOGNER: Rule 2A3 states, Acreage  
15 dedicated to a gas well in the Jalmat Gas Pool shall  
16 not be simultaneously dedicated to an oil well in the  
17 Jalmat Gas Pool and the dual completion of a well so as  
18 to produce oil from the Yates and oil from the Seven  
19 River or Queen formation, that's prohibited. That's  
20 precisely what's the problem.

21 This well shows up on Conoco, Inc., Sholes A  
22 number 8 in Unit I of 24, 25 South, 36 East. And the  
23 proration schedule, October, 1992, to March of 1993 --  
24 that's the latest one I have available -- showing an  
25 acreage factor of one in the Jalmat Gas Pool, Jalmat

1 Gas Pool acreage factor of one would equal 160 acres.

2 There is a west half, east half dedication to  
3 the Burleson wells to the west, for a nonstandard  
4 proration unit comprising that west half, east half.

5 I have no record of the east half, east half  
6 being a nonstandard proration unit.

7 MR. PADILLA: Mr. Examiner, as I understand  
8 that Rule, it says you -- and correct me if I'm  
9 mistaken, but you cannot simultaneously dedicate a well  
10 within the same wellbore to both gas and oil.

11 EXAMINER STOGNER: No, Acreage dedication to  
12 a gas well in the Jalmat Gas Pool shall not be  
13 simultaneously dedicated to an oil well in the Jalmat  
14 Gas Pool.

15 What that means is, if we have a 160-acre gas  
16 proration unit -- and Rasmussen's very familiar with  
17 this because there were some orders that he came in  
18 here years ago, or about four years ago, three years  
19 ago, and we have deducted acreage from those proration  
20 units as a well that's completed and as an oil well.  
21 Then that 40-acre tract then comes out of that gas  
22 proration unit, so there would be no overlap of  
23 dedicated acreage.

24 So there's several problems in this. I don't  
25 know what the acreage factor of one is. I do not have



1 any documentation to show me if there's a nonstandard  
2 proration unit out here.

3 Now, evidently it has been going on because  
4 you have bought it from Conoco. Even our proration  
5 schedule shows Conoco as the operator of the Number 8.

6 So there is a lot of confusion. I was hoping  
7 that that could be straightened up today and --

8 THE WITNESS: As you know, we bought this  
9 lease from Conoco, and Conoco drilled the well. At one  
10 time it was the -- I believe it was the A Account 1  
11 Number 5. And then they in turn changed it to the  
12 Sholes A8.

13 EXAMINER STOGNER: That I have a record of.

14 MR. STOVALL: Yeah, that's right here.

15 It appears from the file we have that the  
16 well was originally drilled, when it was the Account 1  
17 Number 5, as a gas well -- as an oil well, excuse me --  
18 with 40 acres dedicated to it. It was permitted as an  
19 oil well by BLM. I have information --

20 THE WITNESS: Perhaps in simplistic terms,  
21 they started down I believe -- took down the Queen and  
22 started coming uphole, hitting various zones.

23 Basically all the zones they hit were water,  
24 so they came up to the Yates formation to produce the  
25 gas because that was the last zone, that was the only

1 commercial zone.

2 MR. STOVALL: Well, we now have a sundry  
3 which was approved by the BLM in 1982. We proposed to  
4 complete the subject well as a gas well, Jalmat gas  
5 well.

6 A subsequent sundry in 1983, proposal to  
7 shoot and acidize and complete, see attached procedure,  
8 this releases the procedure approved in 1982, NMOCD  
9 approval for nonstandard proration unit and unorthodox  
10 location is also attached. I don't see that on the  
11 copy that was provided to us by Conoco.

12 Then there is a subsequent sundry which says,  
13 Due to completion of this in the Jalmat Gas Pool it is  
14 no longer communitized, and I'm not sure that one would  
15 change the name to the Sholes A Number 8, late report  
16 to follow, completion as a gas well, no reference to  
17 the dedicated acreage.

18 My biggest concern, Mr. Examiner, is, a),  
19 you've got a gas well, and we're not sure -- it's got  
20 an acreage factor of one, but we don't appear to have  
21 160-acre dedication; is that correct?

22 EXAMINER STOGNER: That's one of the  
23 problems, yes.

24 MR. STOVALL: And then the second problem is,  
25 you've got a gas well completed in the Jalmat, and

1 you're proposing to dedicate that same acreage to an  
2 oil well. Is that the other concern?

3 EXAMINER STOGNER: Well, that's already being  
4 done out there, more wells.

5 MR. STOVALL: More wells.

6 THE WITNESS: Now, where we are wanting to  
7 drill is in a different proration unit than the  
8 proration unit which the Sholes A3 and the A8 is in.

9 EXAMINER STOGNER: Oh, you have documentation  
10 to show that? You told me you didn't. You told me you  
11 didn't know what the dedicated acreage was.

12 I show -- I have some that have 160 acres  
13 then. Do you have which 160 acres is dedicated to  
14 number 8?

15 THE WITNESS: No, sir, I'm referencing the --

16 EXAMINER STOGNER: Then you don't know.

17 Thank you.

18 MR. STOVALL: I think there's confusion that  
19 needs to be resolved. I think this case is going to  
20 need to be continued until we can figure out what is  
21 being proposed or what is actually currently being  
22 done.

23 What's the proposed spacing unit for this  
24 particular well, this subject well?

25 MR. PADILLA: Southeast quarter, the

1 southeast quarter, Unit B.

2 MR. STOVALL: Southeast southeast?

3 MR. PADILLA: Yes.

4 Mr. Examiner, perhaps it would be better just  
5 to leave the record open. We can supply the  
6 information as far what actual acreage is dedicated to  
7 the gas well.

8 EXAMINER STOGNER: I think that would be  
9 fine.

10 Are you proposing to continue this case, Mr.  
11 Padilla?

12 MR. PADILLA: Well, we'll continue it, Mr.  
13 Examiner, but if we could find -- It seems that you're  
14 looking at your well records, and that's not clearly  
15 defined in the well records themselves. Perhaps the  
16 Applicant, in their files, have more information, or  
17 perhaps the BLM files are more up to date.

18 EXAMINER STOGNER: Actually, Mr. Rasmussen's  
19 files should be up to date. That's what I was hoping  
20 today: When an applicant comes in, he is prepared.  
21 And if I found this confusion, I was hoping that it  
22 would get settled today.

23 And what that tells me is, perhaps your  
24 Applicant was not prepared today. I mean, within just  
25 a matter of 30 minutes to 45 minutes this was apparent

1 to me, that something was wrong.

2 MR. STOVALL: Mr. Padilla, you're proposing  
3 that we just leave the record open; is that what you're  
4 suggesting?

5 MR. PADILLA: Yes, sir.

6 MR. STOVALL: Mr. Examiner, the question is,  
7 do you want to leave the record open or do you want to  
8 continue it to a date certain and bring it back and  
9 clear up the information?

10 EXAMINER STOGNER: I don't think any  
11 additional testimony would be apparent, other than what  
12 documentations are provided, would clarify in this  
13 matter. I don't know if there would be any necessity,  
14 Mr. Padilla, to have your witness come back up.

15 MR. PADILLA: I don't think that would serve  
16 any purpose. I think I could supply that through  
17 affidavit or some of the things from --

18 EXAMINER STOGNER: And if something did  
19 occur, we can always re-open the case.

20 MR. PADILLA: that would be fine.

21 EXAMINER STOGNER: So why don't we do that,  
22 continue this matter, somewhat open-ended, until  
23 documentation supplied by Mr. Padilla, or through Mr.  
24 Padilla by Mr. Rasmussen --

25 MR. STOVALL: It does raise another bit of a

1 concern, however, in that we've got testimony with  
2 respect to ownership and operation for notice purposes,  
3 but Mr. Rasmussen's unable to tell us who owns or what  
4 acreage is dedicated to a well which he operates, and  
5 that causes me concern with respect to notice. Have we  
6 in fact notified?

7 MR. PADILLA: There's no issue Mr. Examiner,  
8 or Mr. Stovall, that all of their partners or whoever  
9 is involved in drilling these wells -- It's not a  
10 compulsory pooling case or -- There's no issue that no  
11 one is not in agreement. Is that what you're --

12 MR. STOVALL: Well, no, I'm considering if  
13 it's a 160-acre well, and you're dedicating a -- a 160-  
14 acre gas well, the A8 is, and you're proposing to  
15 dedicate a 40-acre oil well, there may be some concern  
16 within that proration unit.

17 If the A8 is a 40-acre gas well, and you're  
18 proposing to drill an oil well -- Is that offset  
19 acreage? I can't -- Look here for a second -- in an  
20 unorthodox location offsetting that well, there may be  
21 concern to the parties, you know, what is their  
22 relationship with -- I think we need to find out what  
23 the --

24 MR. PADILLA: Could I supply that at the same  
25 time?

1 MR. STOVALL: We can leave the record open  
2 with the understanding that we may have to bring it  
3 back for hearing again.

4 MR. PADILLA: I understand.

5 MR. STOVALL: Let's find out what the  
6 question is, and then we'll figure out what the -- We  
7 don't even know the question; I guess we can't worry  
8 about the answer yet.

9 Anyhow, that's -- We need to find out what  
10 acreage is dedicated to what wells.

11 MR. PADILLA: Okay.

12 EXAMINER STOGNER: With that, is there  
13 anything further with this witness at this time?

14 MR. PADILLA: Nothing further.

15 EXAMINER STOGNER: Okay. With that, the  
16 record will be left open pending the submission of  
17 additional information, with the understanding that it  
18 may be necessary to re-open this case.

19 Thank you, Mr. Padilla. If you'll keep in  
20 contact with Mr. Stovall, then I'll --

21 MR. PADILLA: I'll get that information as  
22 soon as I can.

23 (Thereupon, these proceedings were concluded  
24 at 11:46 a.m.)

25 \* \* \*


## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) SS.  
COUNTY OF SANTA FE )

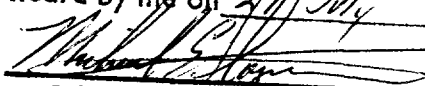
5  
6 I, Steven T. Brenner, Certified Court  
7 Reporter and Notary Public, HEREBY CERTIFY that the  
8 foregoing transcript of proceedings before the Oil  
9 Conservation Division was reported by me; that I  
10 transcribed my notes; and that the foregoing is a true  
11 and accurate record of the proceedings.

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

16 WITNESS MY HAND AND SEAL August 13th, 1993.

17  
18   
19 STEVEN T. BRENNER  
CCR No. 7

20 My commission expires: October 14, 1994  
21

22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
the Examiner hearing of Case No. 10756,  
24 heard by me on 29 July 1993.  
25 , Examiner  
Oil Conservation Division



## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 14, 1994 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William L. Deen	Embrey, Jan, Eng + Graham	Santa Fe
Darlene de Aragao	Texaco	Hobbs
GARY WEITZ	Amoco	DENVER
Maurice Trummer	Byrum Co.	SF
Philip Wood	Consolidated O & G	Denver
Alan HARRISON	"	"
James Barber	Klabzuba Oil & Gas	Ft. Worth
Bill Hawkin	Amoco	Denver
Cris Zogorski	Amoco	Denver
JULIE A. ALBOR	Amoco	DENVER
Brad Bilger	Amoco	Denver
Ira Pasternack	Amoco	Denver
Ernst L. Paul	Padilla Law Firm	SF
Hal J. Rasmussen	Hal J. Rasmussen & Assoc.	Midland
Bill Pelzman	Amoco Production	Amoco
James Bruce	Hinkle Law Firm	SF
Ed Anderson	Self	Midland
MIKE HANAGAN	HANAGAN PET.	Roswell

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. 10756

APPLICATION OF HAL J. RASMUSSEN OPERATING, INC.  
-----

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David Catanach, Hearing Examiner

April 14, 1994

Santa Fe, New Mexico

This matter came on for hearing before the  
Oil Conservation Division on April 14, 1994, at  
Morgan Hall, State Land Office Building, 310 Old  
Santa Fe Trail, Santa Fe, New Mexico, before Deborah  
O'Bine, RPR, Certified Court Reporter No. 63, for the  
State of New Mexico.

**ORIGINAL**

ORIGINAL

## I N D E X

April 14, 1994  
 Examiner Hearing  
 CASE NO. 10756

## PAGE

APPEARANCES

3

HAL J. RASMUSSEN'S WITNESS:

HAL J. RASMUSSEN

Examination by Mr. Padilla

4

Examination by Examiner Catanach

14

REPORTER'S CERTIFICATE

19

## E X H I B I T S

## ID ADMTD

Exhibit 5

7 14

Exhibit 6

9 14

Exhibit 7

17

CUMBRE COURT REPORTING

P.O. Box 9262

Santa Fe, New Mexico 85704-9262

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## A P P E A R A N C E S

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

FOR THE APPLICANT: PADILLA & SNYDER  
P.O. Box 2523  
Santa Fe, New Mexico 87504-2523  
BY: ERNEST L. PADILLA, ESQ.

CUMBRE COURT REPORTING

P.O. Box 9262

Santa Fe, New Mexico 85704-9262

(505) 984-2244 FAX: 984-2092

1 EXAMINER CATANACH: Call the hearing this  
2 morning for Docket 11-94. At this time we'll call  
3 Case 10756.

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

7 EXAMINER CATANACH: Are there appearances  
8 in this case?

9 MR. PADILLA: Mr. Examiner, I'm Ernest L.  
10 Padilla, Santa Fe, New Mexico, for the applicant. I  
11 have one witness to be sworn.

12 EXAMINER CATANACH: Any additional  
13 appearances?

14 MR. RASMUSSEN: Yes. I'm Hal J. Rasmussen  
15 on behalf of Hal J. Rasmussen Operating, Inc.

16 HAL J. RASMUSSEN,  
17 the witness herein, after having been first duly  
18 sworn upon his oath, was examined and testified as  
19 follows:

20 EXAMINATION

21 BY MR. PADILLA:

22 Q. Mr. Rasmussen, what is your connection to  
23 the applicant in this case?

24 A. I'm the president of Hal J. Rasmussen  
25 Operating, Inc.

1 Q. Mr. Rasmussen, have you previously  
2 testified before the Oil Conservation Division and  
3 had your credentials accepted as a matter of record?

4 A. Yes, I have.

5 Q. In what capacity other than as a corporate  
6 officer have you testified before the Oil  
7 Conservation Division?

8 A. As a Professional Engineer. I've  
9 testified for a hearing to change the field rules in  
10 the Jalmat field. On several occasions I testified  
11 to change the field rules in the Wilson field.

12 Q. Mr. Rasmussen, have you familiarized  
13 yourself with the special pool rules of the Jalmat  
14 Pool which are under consideration insofar as this  
15 application is concerned?

16 A. Yes, I have.

17 MR. PADILLA: Mr. Examiner, let me first  
18 of all make a brief statement concerning -- or first  
19 let me ask that the record of the prior case be  
20 incorporated in its entirety.

21 Earlier we presented testimony before  
22 Examiner Stogner in this case, and we came to a  
23 standstill of the case simply because we could not  
24 show that there had been some type of exception to  
25 allow simultaneous dedication of a well on land that

1 was simultaneously dedicated both to an oil well and  
2 to a gas well. This application requests infill  
3 drilling for oil production.

4 The problem that we had on the proration  
5 unit under consideration or 160 acres was that gas  
6 well operated by Rasmussen Operating is  
7 simultaneously dedicated to the gas well and for oil  
8 wells. So the rules of the Jalmat Pool disallow that  
9 type of simultaneous dedication.

10 Our testimony here today and the new  
11 evidence we're presenting is essentially a letter  
12 from Mr. Jerry Sexton of the Hobbs District Office  
13 indicating that this kind of practice has been  
14 allowed in the Jalmat Pool for both wells produced  
15 from different horizons. In other words, they're not  
16 producing oil in this case from the Jalmat Pool or  
17 the same zone as you are producing the oil. So  
18 that's essentially the case today.

19 Q. Mr. Rasmussen, have you for this hearing  
20 compiled evidence and testimony that you intend to  
21 introduce?

22 A. Some additional testimony. I was under  
23 the impression that the old documents that we filed  
24 before were going to be available and that we were  
25 just going to go with those.



1 MR. PADILLA: Mr. Examiner, I haven't  
2 marked my exhibits, but I think I'd just as soon mark  
3 these two exhibits that essentially follow  
4 chronologically. I don't have the record. If I  
5 could, I'd like to review the file, the Commission's  
6 file, and then mark them later.

7 EXAMINER CATANACH: Okay. That will be  
8 fine, Mr. Padilla.

9 Q. (BY MR. PADILLA) Mr. Rasmussen, please  
10 identify what we have marked as -- well, I believe we  
11 had some exhibits, Mr. Examiner, earlier. I think  
12 the transcript would probably indicate which ones  
13 those are.

14 EXAMINER CATANACH: I just show three  
15 exhibits, Mr. Padilla. Actually, four, four  
16 exhibits.

17 MR. PADILLA: Let's mark this one 5 then.

18 Q. Tell the examiner what Exhibit No. 5 is,  
19 please.

20 A. Exhibit No. 5 is a letter from Jerry  
21 Sexton. Our last hearing that we had for these two  
22 infill locations that we were -- nonstandard  
23 proration units that we were trying to get, in the  
24 last hearing it came up that there was four Jalmat  
25 oil wells on this 160 acres, and then there was a gas

1 well producing out of the Jalmat also, and at that  
2 time we did not know how -- where the allowable came  
3 for the gas well. We bought this property from  
4 Conoco. We were not able to answer that, and Stogner  
5 basically stopped the hearing until we could answer  
6 that.

7 I talked to Jerry Sexton, and he said that  
8 if you can prove that wells that are producing in the  
9 same pool are producing from different horizons, that  
10 the district office can give simultaneous  
11 dedication.

12 In this case, he had approved simultaneous  
13 dedication for Conoco. And here's a letter -- I  
14 called him and asked him if he would send a letter  
15 explaining what happened in that case. And this is  
16 it.

17 Q. What does the letter say, Mr. Rasmussen?

18 A. Basically it says, according to the Oil  
19 Conservation Division's policies for the Jalmat Pool,  
20 an oil or gas well may have the same acreage  
21 dedicated to each well if they are producing from  
22 different horizons.

23 Q. Mr. Rasmussen, are you indeed producing  
24 from different horizons in the 160 acres?

25 A. Yes, we are.

1 Q. What do you have to show the examiner how  
2 --

3 A. I have since put together a cross-section  
4 showing where the oil wells are producing from and  
5 where the gas wells are producing from, and at the  
6 bottom it shows the production from each well. It  
7 will show that they are two separate horizons within  
8 the Jalmat Pool.

9 Q. Mr. Rasmussen, do you have another copy of  
10 the cross-section for the examiner?

11 A. Yes. It's in my briefcase.

12 Q. Mr. Rasmussen, would you take that  
13 cross-section and explain to the examiner what that  
14 cross-section contains?

15 A. Okay. Basically, this cross-section is  
16 running across our property, going through the four  
17 oil wells that are producing and the gas well  
18 itself. If I may, I'll step down here.

19 This cross-section is put together on the  
20 top of the Yates formation. You'll see the  
21 perforations going across through all these wells and  
22 showing where they're producing from. The most  
23 important one is the Sholes A No. 8 which is  
24 producing in the Yates sands that are up at the top.

25 Q. That's the well that's approximately in

1 the middle?

2 A. That's the gas well. Yeah, that's the one  
3 in the middle. That's the gas well that was in  
4 question. That well produces about 85 Mcf a day, 0  
5 oil, and about 2 barrels a day of water.

6 Q. Let's go over to the left-hand side of the  
7 cross-section and give the examiner some background  
8 as to where the wells you want to drill, where the  
9 oil wells and the gas well in terms of the 160-acre  
10 proration unit.

11 A. The two wells that I want to drill are  
12 going to be halfway between -- one's going to be  
13 halfway in between what we call the Sholes A No. 2  
14 and No. 4, and one is going to be halfway in between  
15 what is called the Sholes A No. 3 and No. 1.

16 Q. What legal subdivisions are they going to  
17 be in?

18 A. What we call the application for the  
19 Sholes A No. 9 is going to be in the southeast  
20 quarter of the southeast quarter of 24. And the No.  
21 10 will be in the northeast quarter of the northeast  
22 quarter. They're not -- they are not on this cross-  
23 section, this map in front of us, this  
24 cross-section. They are on the previous maps that we  
25 have in there.

1                   What I'd like to show --

2           Q.     Before you go on, Mr. Rasmussen, you're  
3     dealing with the east half of the east half of the  
4     section; right?

5           A.     Yes.   Our property that we own is the east  
6     half of the east half of Section 24.

7           Q.     Go on and explain what the cross-section  
8     shows in terms of separation.

9           A.     On the cross-section, what we have done  
10    out here, we've taken these old Seven Rivers reef  
11    wells that have cum'd a lot, and we have placed them  
12    on submersible pumps.   Our purpose in here is to  
13    drill two infill wells and do the same thing.

14                   The gas well, of course, was the well that  
15    had the question on the allowable.   It's producing  
16    from the Yates gas sands, and as I said it makes 85  
17    Mcf a day, 0 oil, and about 2 water.   The two wells  
18    on the cross-section just to the left of it are two  
19    wells that we've put on submersible, the Sholes A No.  
20    2 and the A No. 4.   At the bottom you'll see the  
21    production.   The A No. 2 makes about 40 barrels a day  
22    of oil, makes about 11,000 barrels a day of water and  
23    90 Mcf a day.   The Sholes A No. 4 makes 55 oil, 5,600  
24    water and 145 Mcf.

25                   Now, if you'll go down to the other side

1 or to the south of the Sholes A No. 3 and the Sholes  
2 A No. 1, the A No. 3 makes 40 oil, 6,500 water and  
3 100 Mcf a day, and the Sholes A No. 1 makes 40 oil,  
4 roughly 11,000 water and 60 Mcf a day.

5 My purpose here is to show that they are  
6 two totally separate horizons within the Jalmat  
7 Pool. And by the production I think it's quite  
8 obvious.

9 Q. Mr. Rasmussen, was production from the  
10 Jalmat for gas in the upper zone and the oil zone  
11 being conducted in this 160-acre unit before you  
12 purchased the properties?

13 A. Oh, yes.

14 Q. And that was the way Conoco was operating  
15 the properties?

16 A. Yes.

17 Q. Do you have anything further with respect  
18 to Exhibit No. 6?

19 A. No, I don't.

20 Q. You may resume your seat.

21 A. Okay.

22 Q. Mr. Rasmussen, is this application in the  
23 best interests of conservation of oil and gas?

24 A. Yes, it is.

25 Q. Would you elaborate a little bit for me on

1 that?

2 A. Yes. Basically what we are doing out here  
3 and what we have found out here is these oil wells  
4 have pretty much depleted and they're not making any  
5 money. They're at their economic limit. We're  
6 coming back in here and putting them on submersible,  
7 and we're lowering the fluid level way down and  
8 getting the Delta P down there where this tighter  
9 rock can feed in.

10 The purpose of drilling the two infill  
11 wells is to get where we're pulling harder on the  
12 reef and getting the tighter rock that has not had a  
13 chance to produce because of the high fluid levels,  
14 and we think we're going to produce new oil by doing  
15 this. This is probably more of an experiment, but we  
16 think it has good merit and with all purposes without  
17 doing this that that oil will never come out of the  
18 ground.

19 Q. Mr. Rasmussen, do you have anything  
20 further to add to your testimony?

21 A. No, I don't.

22 MR. PADILLA: Mr. Examiner, we offer  
23 Exhibits 5 and 6, and we tender the witness for  
24 cross-examination.

25 EXAMINER CATANACH: Exhibits 5 and 6 will

1 be admitted into evidence.

2 EXAMINATION

3 BY EXAMINER CATANACH:.

4 Q. Mr. Rasmussen, let me make sure I  
5 understand the situation. The Sholes A No. 8 is a  
6 gas well?

7 A. Yes.

8 Q. And you currently operate four other oil  
9 wells?

10 A. Yes.

11 Q. Within the proration unit that are  
12 classified as oil wells?

13 A. Yes.

14 Q. And you're seeking authorization to drill  
15 two additional oil wells?

16 A. Yes.

17 Q. I notice that the Sholes A No. 2 and A No.  
18 5 are perforated in what you call the Upper Yates gas  
19 zone. Is it your opinion that these -- is there gas  
20 production coming from that zone?

21 A. Those are what I -- it's what I call more  
22 of a transition zone. In the Sholes A No. 2, the  
23 perforations that you see from 2840 to 2920, those  
24 zones were producing by themselves before we took  
25 over this property, and there was a cast iron bridge



1 plug that had the lower perf shut off. That was an  
2 attempt that Conoco did to recomplete in the Lower  
3 Yates. And when we took over the property, that  
4 thing was making about 2 oil and 2 barrels a day of  
5 water. It was not what we consider communicated in  
6 the reef zone which really probably starts at the top  
7 of the Seven Rivers, but in the Yates, what we call  
8 the Yates carbonate section, we have these carbonates  
9 that come in below the sands, and those on occasions  
10 act like the reef that they have the high water, high  
11 oil production. And these two wells, they do not do  
12 that.

13 Q. What's the limiting or the cutoff gas:oil  
14 ratio for oil and gas wells in this pool? Is it  
15 30,000?

16 A. I was hoping you weren't going to ask  
17 that.

18 Q. I just can't recall offhand. It's 30,000  
19 or 50,000. I can't remember?

20 A. I believe it's 100,000.

21 Q. Is it 100,000?

22 A. Yes, it is in the Jalmat. I've testified  
23 in several hearings on this, and I'm pretty positive  
24 it's 100,000.

25 Q. The transition zone you describe here, is

1 that oil and gas productive?

2 A. Yes. I have some leases down in the  
3 Scarborough field, which is just an extension of this  
4 Jalmat field, and depending where you are out here,  
5 some places you can hit in what we call the Yates  
6 carbonate section, and you can make a lot of oil and  
7 water, which is indicative of that reef section, but  
8 then in some places you can hit it, and you'll make  
9 gas and not very much water and very little oil. So  
10 I think it just depends where you are structurewise  
11 and what your permeability is.

12 Q. Where do you intend to perforate your new  
13 wells?

14 A. The two new wells that we're going to  
15 drill, we were going to drill and complete them in  
16 that Lower Seven Rivers. We will not -- at this time  
17 I don't have any anticipation of completing that  
18 Yates carbonate section. It will be strictly in the  
19 Seven Rivers.

20 Q. This property was purchased from Conoco?

21 A. Yes.

22 Q. How long have you owned this property?

23 A. It will be two years this September.

24 Q. For the past two years, these wells have  
25 been operated as if they had simultaneous dedication

1 approval?

2 A. Yes, prior to our purchasing the  
3 property. I think that is what had caused the whole  
4 problem on the previous hearing. It wasn't so much  
5 what we wanted to do with infill wells as it was  
6 nobody could answer how that well had its allowable,  
7 and it took us awhile, and I finally just had to call  
8 Jerry Sexton and say hey -- we could not find the  
9 field rules that let us do that. We couldn't find a  
10 special docket that gave us permission, and I finally  
11 had to call him, and he said it's just a verbal  
12 permission you can get from the district office.

13 EXAMINER CATANACH: Is there anything  
14 further, Mr. Padilla?

15 MR. PADILLA: Mr. Examiner, I have what  
16 I've marked as Exhibit No. 7. Let me give you the  
17 original of Exhibit No. 5.

18 EXAMINER CATANACH: Okay.

19 MR. PADILLA: And I'll give you another  
20 copy of the cross-section. And No. 7 is our amended  
21 notice of hearing and original notice of hearing on  
22 this case to be continued as one. So we amended it  
23 and sent notice on it.

24 EXAMINER CATANACH: Notice to offset  
25 operators, Mr. Padilla?

1 MR. PADILLA: Yes, sir.

2 EXAMINER CATANACH: Is there anything  
3 further?

4 MR. PADILLA: Nothing further.

5 EXAMINER CATANACH: There being nothing  
6 further, Case 10756 will be taken under advisement.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )

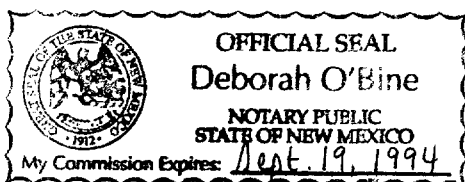
) ss.

COUNTY OF SANTA FE )

I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

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, May 4, 1994.



*Deborah O'Bine*  
DEBORAH O'BINE  
CCR No. 63

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10756, heard by me on April 14 1994.  
*Daniel Cortez*, Examiner  
Oil Conservation Division