

NEW MEXICO OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

STATE OF NEW MEXICO

CASE NOS. 10927 10928, 10929

IN THE MATTER OF:

The Applications of Breck Operating
Corporation for Surface Commingling,
San Juan County, New Mexico.

BEFORE:

DAVID R. CATANACH

Hearing Examiner

State Land Office Building

March 3, 1994

REPORTED BY:

APR 12 PM

CARLA DIANE RODRIGUEZ
Certified Shorthand Reporter
for the State of New Mexico

COPY

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: **WILLIAM F. CARR, ESQ.**

I N D E X

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Page Number

Appearances	2
WITNESSES FOR THE APPLICANT:	
1. <u>PAUL C. THOMPSON</u>	
Examination by Mr. Carr	4
Examination by Mr. Catanach	15
Certificate of Reporter	17

E X H I B I T S

Page Marked

Exhibit No. 1A	8
Exhibit No. 2A	9
Exhibit No. 3	10
Exhibit No. 4A	12
Exhibit No. 1B	12
Exhibit No. 2B	13
Exhibit No. 4B	13
Exhibit No. 1C	13
Exhibit No. 2C	13
Exhibit No. 4C	13

1 EXAMINER CATANACH: Call Case No.
2 10927.

3 MR. STOVALL: Application of Breck
4 Operating Corporation for surface commingling,
5 San Juan County, New Mexico.

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

8 MR. CARR: May it please the Examiner,
9 my name is William F. Carr, from the Santa Fe law
10 firm Campbell, Carr, Berge & Sheridan. I
11 represent Breck Operating Corporation in this
12 case, and I have one witness.

13 At this time I would also request that
14 this case be consolidated, for purposes of
15 hearing, with Case 10928 and 10929. They are all
16 applications of Breck Operating Corporation for
17 surface commingling, and the presentation will be
18 shortened if the cases are consolidated.

19 EXAMINER CATANACH: We'll go ahead and
20 call Case 10928 and 10929.

21 MR. STOVALL: Which are the
22 applications of Breck Operating Corporation for
23 surface commingling, San Juan County, New Mexico.

24 EXAMINER CATANACH: Are there
25 additional appearances in any of these cases?

1 Will the witness please stand to be
2 sworn, then.

3 PAUL C. THOMPSON

4 Having been first duly sworn upon his oath, was
5 examined and testified as follows:

6 EXAMINATION

7 BY MR. CARR:

8 Q. Would you state your full name and
9 place of residence?

10 A. My name is Paul C. Thompson. I live in
11 Farmington, New Mexico.

12 Q. By whom are you employed?

13 A. I'm the President of Walsh Engineering
14 & Production Corporation, acting on behalf of
15 Breck Operating Corporation.

16 Q. You're employed by Breck to represent
17 them and present testimony in this matter here
18 today?

19 A. Yes.

20 Q. Have you previously testified before
21 this Division?

22 A. Yes.

23 Q. At the time of that testimony, were
24 your credentials as a petroleum engineer accepted
25 and made a matter of record?

1 A. Yes, they were.

2 Q. Are you familiar with each of the
3 applications filed in these cases?

4 A. Yes.

5 Q. Are you familiar with the subject areas
6 and the wells involved in each of the cases?

7 A. Yes, I am.

8 MR. CARR: Are the witness's
9 qualifications acceptable?

10 EXAMINER CATANACH: Yes, they are.

11 Q. Mr. Thompson, could you briefly review
12 for the Examiner what Breck Operating Corporation
13 seeks in each of these applications?

14 A. Breck Operating seeks, in three
15 separate cases, to commingle gas production from
16 the Basin Fruitland Coal pool with that of the
17 Fulcher Kutz-Pictured Cliffs pool.

18 In Case 10929, Breck seeks to commingle
19 production from the Kutz Government 6 well, which
20 is a Basin Fruitland Coal well, with the Kutz
21 Government 6J well, which is a Fulcher
22 Kutz-Pictured Cliffs well.

23 In Case 10927, they seek to commingle
24 production from the Kutz Government 8J, which is
25 the Fruitland Coal well, with the Kutz Government

1 8 well, which is the Pictured Cliffs.

2 In Case 10928, they seek to commingle
3 production from the Kutz Government No. 7 well,
4 which is the Basin Fruitland Coal well, with the
5 Kutz Government 7J, which is the Fulcher
6 Kutz-Pictured Cliffs well.

7 The Fruitland Coal wells are produced
8 with the help of a well site compressor. The
9 benefits of lowering the pressure on coal
10 completions now is well-known. The Pictured
11 Cliffs wells, however, have been depleted to the
12 point where their build-up pressures infrequently
13 exceed the pipeline pressures and they produce
14 very seldom.

15 Breck hopes that by utilizing the
16 existing compressor on the coal well and the
17 existing measuring equipment, that they can
18 recover additional reserves from the Pictured
19 Cliffs well.

20 I discussed this situation with Mr.
21 Chavez in Aztec, and he advised me that due to
22 the fact that the two wells have different
23 proration units, and consequently different
24 working interest ownerships, that the case would
25 require hearing.

1 Q. Mr. Thompson, have you prepared certain
2 exhibits for presentation in this case?

3 A. Yes, I have.

4 MR. CARR: Mr. Catanach, we have
5 indicated Exhibits 1, 2 and 4 with subparts A, B
6 and C. "A" means we're referring to the No. 6
7 wells, which is Case 10929, "B" indicates the No.
8 8 wells, which is 10927, and the letter "C"
9 refers to the No. 7 wells, 10928.

10 Q. Mr. Thompson, let's go now to Exhibit
11 No. 1A. And refer to this exhibit and identify
12 it and review the information related to the No.
13 6 wells for the Examiner.

14 A. Exhibit 1A is a location plat showing
15 the dedicated acreage for the two subject wells;
16 also indicates the offset operators.

17 Q. This exhibit also indicates the
18 formations in which the offsetting wells are
19 completed, is that correct?

20 A. That's correct.

21 Q. What is the status of the land involved
22 in this application?

23 A. The surface ownership is all BLM.

24 Q. Have you reviewed this application with
25 the Bureau of Land Management?

1 A. Yes, sir. I spoke to Mr. Don Ellsworth
2 of the BLM. He advised me that all's that would
3 be required would be a sundry notice, showing a
4 location of the proposed extension of the
5 gathering line between the Pictured Cliffs and
6 the Fruitland Coal location.

7 Q. Has commingling of production from
8 these two zones been approved for other wells in
9 the area?

10 A. Meridian has received approval to
11 downhole commingle production from the Basin
12 Fruitland Coal and Fulcher Kutz-Pictured Cliffs
13 in this area.

14 Q. But not surface commingling?

15 A. No.

16 Q. Same formations, however, have been
17 involved?

18 A. Yes.

19 Q. Let's go to Exhibit 2A. Could you
20 identify this?

21 A. Exhibit 2A is just a breakdown of the
22 working interests between the two formations. At
23 this time I ought to explain the relationship
24 between B.B.L., Inc., or B.B.L., Ltd., and Breck
25 Operating. Breck Operating is the operations arm

1 for States, Incorporated. B.B.L., Ltd., is a
2 limited partnership that is owned by the same
3 people that own States, Incorporated.

4 Q. This shows the working interest owner
5 as it relates to the 6 and 6J?

6 A. That is correct.

7 Q. What is the status of the royalty? Is
8 it all federal?

9 A. It's all federal.

10 Q. Would that apply to each of the
11 applications involved in this hearing today?

12 A. Yes, that's correct.

13 Q. Let's go to Exhibit No. 3. Would you
14 identify and review that for me, if you can?

15 A. Exhibit No. 3 is just a schematic
16 drawing of the proposed facilities. In all three
17 cases they are, essentially, the same. All these
18 facilities are existing with the exception of the
19 T and the valve that's shown in the dashed box,
20 and then the gathering line from that point to
21 the inlet of the separator on the Fruitland Coal
22 well.

23 What we've proposed to do is to measure
24 the Pictured Cliffs gas through the existing PC
25 meter, then block off that line going to Gas

1 Company of New Mexico's line; bring an additional
2 line to the inlet of the separator on the
3 Fruitland Coal side, and both the Fruitland Coal
4 and Pictured Cliffs will be measured in the
5 existing Fruitland Coal meter.

6 This way, the difference between the
7 total protection and the Pictured Cliffs
8 production will be allocated to the Fruitland
9 Coal.

10 Q. This is going to enable you to
11 accurately determine the amount of production
12 from each of these sources of supply?

13 A. Yes.

14 Q. And this is in accordance with the
15 manual for the installation and operation of
16 commingling facilities, is that correct?

17 A. That's correct.

18 Q. Will there be any compatibility
19 problems involved with this operation?

20 A. No. The gas from the Pictured Cliffs
21 and Fruitland Coal is currently being commingled
22 in Gas Company of New Mexico's line now.

23 Q. Are any liquids being produced?

24 A. None.

25 Q. Let's go to what has been marked

1 Exhibit 4A. Would you identify and review that,
2 please.

3 A. Exhibit 4A lists the monthly production
4 for 1993 from the two subject wells. This just
5 highlights the problems that the Pictured Cliff
6 wells have had producing, against the current
7 high line pressures.

8 Q. It shows that Pictured Cliffs is, in
9 fact, a very poor zone, is that right?

10 A. That's true.

11 Q. You wouldn't anticipate any changes in
12 these producing wells?

13 A. Well, Breck anticipates between 50 to
14 100 Mcf per day, if the commingling application
15 is approved.

16 Q. And you're currently disposing of the
17 production from these wells by selling it to the
18 Gas Company of New Mexico, is that right?

19 A. That's true, from both formations.

20 Q. All right. Let's go now to Exhibit
21 1B. This is the material that relates to the No.
22 8 wells. Could you briefly review these and note
23 any differences in these exhibits from the
24 exhibits previously presented?

25 A. Again, this is just a location plat,

1 showing the differences in dedicated acreage
2 between the Pictured Cliffs and Fruitland Coal
3 completions. It also highlights the offset
4 operators. Using the key in the upper, left-hand
5 corner, it shows the types of wells that are
6 drilled in the area.

7 Q. All right. And Exhibit 2B?

8 A. Again, it's just the working interest
9 ownerships between the two different subject
10 wells.

11 Q. And 4B?

12 A. 4B, again, is the 1993 production by
13 month, for the two subject wells.

14 Q. If we go to 1C, what is this?

15 A. 1C, again, is a location plat showing
16 the differences in dedicated acreage for the 7
17 and 7J wells, and the offset operators.

18 Q. And 2C?

19 A. 2C, again, is a list of the working
20 interest in the two subject wells.

21 Q. And 4C?

22 A. Is the 1993 production, by month, for
23 the two subject wells.

24 Q. Is what has been marked Exhibit No. 5
25 an affidavit confirming that notice of these

1 applications has been provided by certified mail
2 to all interest owners in the subject well, as
3 well as to the purchaser of the commingled
4 production?

5 A. Yes, it is.

6 Q. In your opinion, will the granting of
7 each of these applications result in the
8 increased recovery of hydrocarbons?

9 A. Yes. Granting this application will
10 allow Pictured Cliffs wells to produce. The
11 Pictured Cliffs wells produce infrequently
12 against current line pressures, and the rates do
13 not justify a separate compressor installation.

14 Q. In your opinion, will the value of the
15 commingled production be at least equal to the
16 sum of the values of the production from each of
17 the separate zones?

18 A. Yes.

19 Q. In your opinion, will granting the
20 application be in the best interest of
21 conservation, the prevention of waste and the
22 protection of correlative rights?

23 A. Yes, it will.

24 Q. Were Exhibits 1 through 5, and all the
25 subparts of those exhibits, either prepared by

1 you or compiled under your direction?

2 A. Yes, they were.

3 MR. CARR: At this time, Mr. Catanach,
4 I would move the admission of Exhibits 1 through
5 5, and the subparts thereof.

6 EXAMINER CATANACH: Exhibits 1 through
7 5, and subparts thereof, will be admitted as
8 evidence.

9 MR. CARR: That concludes my direct
10 examination of Mr. Thompson.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Thompson, what kind of meter are
14 you going to have on the PC side?

15 A. That's the existing dry flow meter.
16 That's owned and operated by Gas Company.

17 Q. That was the one that was utilized for
18 sales to Gas Company, obviously?

19 A. Yes. You know, it still is, the wells
20 will produce occasionally when the line pressure
21 drops, they'll still flow a little bit, so all
22 those facilities are still in place.

23 Q. And there is no water or liquids
24 production of any kind?

25 A. Very, very little. The separator on

1 the Pictured Cliffs side is actually owned by Gas
2 Company of New Mexico; negligible amounts of
3 water. Actually, the coal completions in this
4 area, too, are very dry; no hydrocarbons, liquid
5 hydrocarbons at all.

6 Q. Okay. Now, you notified all your
7 working interest owners of your proposal?

8 A. Yes, sir.

9 Q. No opposition or concern of any kind
10 from anyone?

11 A. No.

12 EXAMINER CATANACH: Okay. I have
13 nothing further.

14 MR. CARR: We have nothing further in
15 this case.

16 EXAMINER CATANACH: There being nothing
17 further, Cases 10927, 10928 and 10929 will be
18 taken under advisement.

19 (And the proceedings concluded.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10927, 10928, 10929
heard by me on May 3 1994.
David R. Catanach, Examiner
Oil Conservation Division

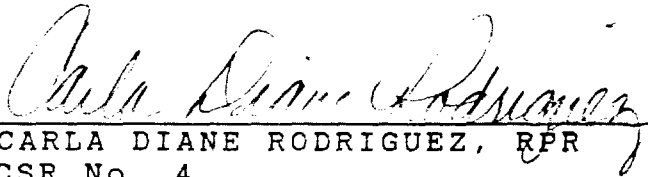
1 CERTIFICATE OF REPORTER

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

6 I, Carla Diane Rodriguez, Certified
7 Shorthand Reporter and Notary Public, HEREBY
8 CERTIFY that the foregoing transcript of
9 proceedings before the Oil Conservation Division
10 was reported by me; that I caused my notes to be
11 transcribed under my personal supervision; and
12 that the foregoing is a true and accurate record
13 of the proceedings.

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

19 WITNESS MY HAND AND SEAL April 4, 1994.
20

21
22 
23 CARLA DIANE RODRIGUEZ, RPR
24 CSR No. 4
25