

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Blackwood & Case 10050
Nichols Co., Ltd., for
directional drilling and a
nonstandard gas proration unit,
San Juan County, New Mexico

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

September 5, 1990

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT: CAMPBELL & BLACK, P.A.
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

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1 HEARING EXAMINER: Call next case, No.
2 10,050.

3 MR. STOVALL: Application of Blackwood &
4 Nichols Co., Ltd., for directional drilling and a
5 nonstandard gas proration unit, San Juan County, New
6 Mexico.

7 HEARING EXAMINER: Call for appearances.

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the law firm of Campbell
10 & Black, P.A., of Santa Fe. We represent Blackwood &
11 Nichols Co., Ltd., and I have one witness.

12 HEARING EXAMINER: Are there any other
13 appearances in this matter? Will the witness please
14 stand and be sworn.

15 CLARENCE AL RECTOR,
16 the witness herein, after having been first duly sworn
17 upon his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your full name and place of
21 residence?

22 A. My name is Clarence Al Rector, and I live
23 in Farmington, New Mexico.

24 Q. Mr. Rector, by whom are you employed and in
25 what capacity?

1 A. I work for Blackwood & Nichols Company, and
2 I am their operational engineer.

3 Q. Have you previously testified before the
4 Oil Conservation Division?

5 A. No, I have not.

6 Q. Would you briefly summarize your
7 educational background and then review your work
8 experience for Mr. Stogner?

9 A. I have a Bachelor's of Science Degree from
10 the University of Colorado in engineering physics,
11 graduated in 1968. I have worked in the petroleum
12 industry approximately 20 years, five years with a
13 major drilling contractor, 14 years with El Paso
14 Exploration and Meridian Oil, and the past one year
15 with Blackwood & Nichols.

16 Q. Does your geographic area of responsibility
17 with Blackwood & Nichols Company include the portion
18 of the San Juan Basin involved in this case?

19 A. Yes, it does.

20 Q. Are you familiar with the application filed
21 in this case on behalf of Blackwood & Nichols in this
22 case?

23 A. Yes.

24 Q. Have you made a study of the area?

25 A. Yes, I have.

1 Q. Are you familiar with the proposed well?

2 A. Yes, sir.

3 MR. CARR: We tender Mr. Rector as an
4 expert witness and petroleum engineer.

5 HEARING EXAMINER: Mr. Rector is so
6 qualified.

7 Q. (BY MR. CARR) Would you briefly state what
8 Blackwood & Nichols Company seeks with this
9 application?

10 A. We seek to gain approval of a nonstandard
11 proration unit and approval to directionally drill to
12 that nonstandard unit.

13 Q. And you intend to bottom the well at a
14 standard location on the nonstandard unit?

15 A. Yes, that's correct.

16 Q. Are you familiar with the rules which
17 govern the location and spacing of wells in this area?

18 A. Yes, I am.

19 Q. What are the basic location requirements?

20 A. The Fruitland coal wells run 320-acre
21 spacings with a northeast-southwest dedication. The
22 orthodox locations are 790 feet from the boundaries,
23 130 feet from the quarter-quarter lines.

24 Q. Have you prepared certain exhibits for
25 presentation in this hearing?

1 A. Yes, I have.

2 Q. Would you refer to what has been marked
3 Blackwood & Nichols Exhibit 1 and identify the first
4 page of that exhibit?

5 A. The first page is a vicinity map showing
6 the surface location as we propose for the 461.

7 Q. Where is that? It's in the center of the
8 exhibit just west of the lake?

9 A. Yes, it is. There's an arrow pointing to
10 it there.

11 Q. Let's go now to the second page of Exhibit
12 No. 1, and I'd ask you to review that for the
13 examiner.

14 A. The second page shows the bottom hole
15 location, which would be in the requested proration
16 unit. It's in Section 7 of 30 North, 7 West. The
17 surface location is in Section 12 of 30 North, 8 West.

18 Q. This unit or this well is in the interior
19 of the northeast Blanco Unit?

20 A. Yes, it is.

21 Q. Does Blackwood & Nichols Company, Ltd.,
22 operate all offsetting acreage?

23 A. Yes, we do.

24 Q. Let's go now to Exhibit No. 2, and I'd ask
25 you to identify that, please.

1 A. Exhibit No. 2 is Order No. R-752, which
2 approved this same proration unit in 1956 for the
3 Blanco-Mesaverde gas pool.

4 Q. Let's move on to Exhibit No. 3. Would you
5 review the information on that exhibit for Mr.
6 Stogner?

7 A. Exhibit No. 3 is our C-102 as submitted
8 with our APD giving the surface footages and the
9 downhole, the bottom hole footages, showing the
10 surface in Section 12 and the bottom hole location in
11 Section 7 of 30-7.

12 Q. What are those footage locations? In
13 Section 12 the surface is at what?

14 A. The surface is 1830 from the south line,
15 830 from the east, and in Section 12 of 30 North, 8
16 West, the bottom hole location will be in Section 7.
17 That will be 1,376 from the south line, 840 from the
18 west line in Section 7, 30 North, 7 West.

19 Q. Could you explain to Mr. Stogner why
20 Blackwood & Nichols needs to directionally drill this
21 well?

22 A. The well was originally staked in the
23 Navajo Marina Campground, and we would not be allowed
24 to open hole complete a well in the campground. They
25 said if we drilled it there, it would have to be

1 cased, cemented, and frac'd. We found we get 10 to 20
2 fold production rates from an open hole completed well
3 as compared to a cased and frac'd well in this area.

4 Q. You've moved the surface location out of
5 the campground?

6 A. We have moved the surface location out of
7 of the campground, yes.

8 Q. And you will be able to complete it open
9 hole by directionally drilling from this location?

10 A. That's correct.

11 Q. Let's now move to Blackwood & Nichols
12 Exhibit No. 4. Mr. Rector, if you would use this
13 exhibit to review for the examiner exactly how
14 Blackwood & Nichols proposes to directionally drill
15 this well.

16 A. We plan to set 450 feet of 10-3/4 inch
17 surface pipe, and at approximately 60 feet below the
18 surface shoe, we will start our directionally
19 drilling. We will kick the well using a downhole
20 motor and bent subs with a monitor log drilling tool
21 above the downhole motor to determine our angle.

22 We will kick the well out to approximately
23 5 to 7 degree per hundred foot to an angle of
24 approximately 45 to 47 degrees, drill this 45, 47
25 degree hole for a distance that will allow us to come

1 back to vertical at 1650 feet away from our surface
2 location, which will bottom in the proration unit.

3 Q. You're going to monitor the location of
4 this well as you drill it?

5 A. Yes, we will. We will monitor the downhill
6 location at all times.

7 Q. Will these records be made available to the
8 Oil Conservation Division to establish the exact
9 location of the well?

10 A. Yes, they will.

11 Q. There is no advantage being gained because
12 this is a standard location; is that correct, the
13 bottom hole location?

14 A. No, there is not, no advantage.

15 Q. And you will control all offsetting acreage
16 so there was no notice to be provided under Division
17 rules?

18 A. That's correct.

19 Q. Mr. Rector, in your opinion, will approval
20 of this application be in the best interests 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 4 compiled by you
25 or prepared under your direction and supervision?

1 A. Yes, they were.

2 MR. CARR: At this time, Mr. Stogner, we
3 move the admission of Blackwood & Nichols Company
4 Exhibits 1 through 4.

5 HEARING EXAMINER: Exhibits 1 through 4
6 will be admitted into evidence.

7 MR. CARR: That concludes my Direct
8 Examination of Mr. Rector.

9 HEARING EXAMINER: Are there any questions
10 of Mr. Rector?

11 MR. STOVALL: Yes, I do have one.

12 CROSS-EXAMINATION

13 BY MR. STOVALL:

14 Q. You submitted the order approving the
15 nonstandard unit, I believe, in the -- is it Mesaverde
16 or is it Mesaverde and Dakota?

17 MR. CARR: Blanco Mesaverde.

18 THE WITNESS: Mesaverde was approved in 56.

19 Q. (BY MR. STOVALL) And that is entirely
20 within the unit?

21 A. Yes, sir.

22 Q. Surrounded on all sides; is that correct?

23 THE WITNESS: Yes, sir.

24 MR. STOVALL: No further questions.

25 CROSS-EXAMINATION

1 BY HEARING EXAMINER:

2 Q. Are there any Basin Dakota wells in this
3 area, Mr. Rector?

4 A. No, sir, there are not.

5 Q. The Blanco-Mesaverde well that that Order
6 752 is the subject of, which well is that one? What's
7 the number of it?

8 A. That would be the 31 in the southwest
9 southwest of 7.

10 Q. 31 and the 31-A, they are infill wells?

11 A. A is the infill, yes.

12 HEARING EXAMINER: Are there any other
13 questions of Mr. Rector? If not, he may be excused.
14 Mr. Carr?

15 MR. CARR: Nothing further, Mr. Stogner.

16 HEARING EXAMINER: Does anybody else have
17 anything further in Case No. 10,050? If not, this
18 case will be taken under advisement.

19

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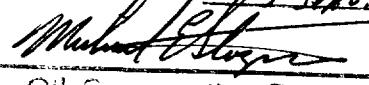
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10050
heard by me on 15 Sept. 1990
, Examiner
Oil Conservation Division

1 CERTIFICATE OF REPORTER

2

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

5

6 I, Deborah O'Bine, Certified Shorthand
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 caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

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

17 WITNESS MY HAND AND SEAL September 14,
18 1989.

19



20

DEBORAH O'BINE
CSR No. 127

21

22 My commission expires: August 10, 1990

23

24

25

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10043, CASE 10044, CASE 10045, CASE 10046,
CASE 10047, CASE 10031, CASE 10050, CASE 10054,
CASE 9995, CASE 9997, CASE 10038, CASE 10021,
CASE 10057, CASE 10058, CASE 10062, CASE 10063,
CASE 10064

EXAMINER HEARING

IN THE MATTER OF:

CONTINUED and DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

August 22, 1990

A P P E A R A N C E S

FOR THE DIVISION:

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

1 EXAMINER CATANACH: Call the hearing to
2 order this morning for Docket Number 23-90. We'll
3 call the continuances and dismissals first.

4 Call Cases 10043, 10044, 10045, 10046 and
5 10047.

6 MR. STOVALL: These are the applications of
7 D. J. Simmons Company for compulsory pooling in San
8 Juan County, New Mexico.

9 The applicant has requested that each of
10 these cases be continued to the Examiner Hearing set
11 for September 5, 1990.

12 EXAMINER CATANACH: Each of these cases is
13 so continued to the September 5th docket.

14 * * * * *

15 EXAMINER CATANACH: Call Case 10031.

16 MR. STOVALL: Application of Nearburg
17 Producing Company for a nonstandard oil proration
18 unit, Eddy County, New Mexico.

19 Applicant requests this case be continued
20 to the Examiner Hearing set for September 19, 1990.

21 EXAMINER CATANACH: Case 10031 is hereby
22 continued to the September 19th hearing.

23 * * * * *

24 EXAMINER CATANACH: Call Case 10050.

25 MR. STOVALL: Application of Blackwood &

1 Nichols Co. Ltd., for directional drilling and a
2 nonstandard gas proration unit, San Juan County, New
3 Mexico.

4 Applicant requests this case be continued
5 to September 5, 1990.

6 EXAMINER CATANACH: Case 10050 is hereby
7 continued to the September 5th hearing.

8 * * * * *

9 EXAMINER CATANACH: Call Case 10054.

10 MR. STOVALL: Application of Pacific
11 Enterprises Oil Company (USA) for compulsory pooling,
12 Eddy County, New Mexico.

13 Applicant requests this case be dismissed.

14 EXAMINER CATANACH: Case 10054 is hereby
15 dismissed.

16 * * * * *

17 EXAMINER CATANACH: Call Case 9995.

18 MR. STOVALL: Application of Sendero
19 Petroleum, Inc., for compulsory pooling, Eddy County,
20 New Mexico.

21 Applicant has requested this case be
22 dismissed.

23 EXAMINER CATANACH: Case 9995 is hereby
24 dismissed.

25 * * * * *

1 EXAMINER CATANACH: Call case 9997.

2 MR. STOVALL: Application of TXO Production
3 for compulsory pooling, Eddy County, New Mexico.

4 Applicant has requested that this case be
5 dismissed.

6 EXAMINER CATANACH: Case 9997 is hereby
7 dismissed.

8 * * * * *

9 EXAMINER CATANACH: Call Case 10038.

10 MR. STOVALL: Application of Nassau
11 Resources, Inc., for infill drilling in the
12 Basin-Fruitland Coal Gas Pool on its Carracas Canyon
13 Unit, Rio Arriba County, New Mexico.

14 Applicant has requested this case be
15 continued to the Examiner Hearing set for September 5,
16 1990.

17 EXAMINER CATANACH: Case 10038 is hereby
18 continued to the September 5th hearing.

19 * * * * *

20 EXAMINER CATANACH: Call Case 10021.

21 MR. STOVALL: Application of Meridian Oil,
22 Inc., for an unorthodox coal gas well location, San
23 Juan County, New Mexico.

24 Applicant requests this case be dismissed.

25 EXAMINER CATANACH: Case 10021 is hereby

1 dismissed.

2 * * * * *

3 EXAMINER CATANACH: Call Case 10057.

4 MR. STOVALL: Application of Meridian Oil,
5 Inc., for pool creation, special pool rules and
6 discovery allowable, Lea County, New Mexico.

7 Applicant requests that this case be
8 dismissed.

9 EXAMINER CATANACH: Case 10057 is hereby
10 dismissed.

11 * * * * *

12 EXAMINER CATANACH: Call Case 10058.

13 MR. STOVALL: Application of Phillips
14 Petroleum Company for eight nonstandard gas proration
15 units and seven unorthodox coal gas well locations,
16 San Juan County, New Mexico.

17 Applicant has requested that this case be
18 continued to September 5, 1990.

19 EXAMINER CATANACH: Case 10058 is hereby
20 continued to the September 5th hearing.

21 * * * * *

22 EXAMINER CATANACH: Call Case 10062.

23 MR. STOVALL: Application of OXY USA, Inc.,
24 for statutory unitization, Lea County, New Mexico.

25 Applicant has requested that this case be

1 continued to September 5, 1990.

2 EXAMINER CATANACH: Case 10062 is hereby
3 continued to the September 5th hearing.

4 * * * * *

5 EXAMINER CATANACH: Call Case 10063.

6 MR. STOVALL: Application of OXY USA, Inc.,
7 for a waterflood project, Lea County, New Mexico.

8 Applicant has requested this case be
9 continued to September 5, 1990.

10 EXAMINER CATANACH: Case 10063 is hereby
11 continued to September 5th.

12 * * * * *

13 EXAMINER CATANACH: Call Case 10064.

14 MR. STOVALL: Application of OXY USA, Inc.,
15 for pool contraction and extension, Lea County, New
16 Mexico.

17 Applicant has requested this case be
18 continued to September 5, 1990.

19 EXAMINER CATANACH: Case 10064 is hereby
20 continued to the September 5th hearing.

21 * * * * *

22 MR. STOVALL: In keeping with our usual
23 practice and since there's so many people here, we'll
24 try to clarify approximately when you'll be on.

25 We'll put all contested cases at the end of

1 the docket, to be heard after uncontested cases. I'm
2 showing the three Chevron applications in the
3 contested pool. Those will be the last cases heard,
4 10059, 60 and 61, the three Chevron cases in
5 connection with the waterflood.

6 Case 10048 will be moved to be the first
7 case heard after the uncontested cases. Case 10049
8 will be moved to after the uncontested cases.

9 Does anybody know of any other opposed
10 cases on the docket?

11 Case 10052 is no longer opposed, is that
12 right, Mr. Padilla?

13 MR. PADILLA: That's correct.

14 MR. STOVALL: Are there any other parties
15 here who have any intent of opposing any of the cases
16 that are on the docket for today?

17 Okay. Those two cases are the two that
18 will be affected. Time estimate? Difficult to say,
19 as you all know.

20 There are seven uncontested cases. You're
21 looking at an average of 30 minutes apiece on those.
22 That will give you some idea of how long it will
23 take. If that gives you some idea, those of you on
24 those two cases that are getting moved back, it will
25 probably be at least two to three hours before they're

1 actually called. Whether they're called before or
2 after lunch is difficult to predict at this point.

3 If you'll check back about 10:30 to 11:00
4 to see where we are on the docket at that time, it
5 will free you up for a couple of hours anyway.

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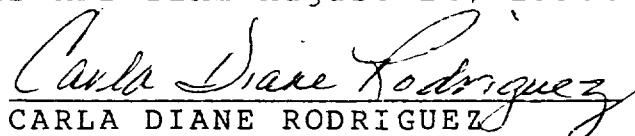
1 CERTIFICATE OF REPORTER

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 CERTIFY
8 that the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me; that
10 I caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

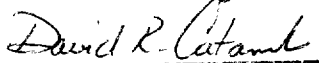
13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL August 24, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991
22

23 I do hereby certify that the foregoing is
24 a complete and correct transcript of the proceedings in
25 the Executive Hearing of Case No. 10050,
heard by me on August 22, 1990.

, Examiner
Oil Conservation Division