

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

25 September 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production Cor- CASE
poration for pool extension and an 8713
unorthodox gas well location, Rio
Arriba County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. STOGNER: Call Case Number
3 8713.

4 MR. TAYLOR: The application of
5 Dugan Production Corporation for a pool extension and an
6 unorthodox oil well location, Rio Arriba County, New Mexico.

7 MR. STOGNER: At the examiner
8 -- I'm sorry, *at* the applicant's request Case Number 8713
9 will be continued and there was a readvertisement on this
10 also, and will be readvertised and continued for the
11 Examiner Hearing scheduled for October 9th, 1985.

12
13 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division was reported by me; that the said
transcript is a full, true, and correct record of the
hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8713,
heard by me on 25 September 1985.
Michael D. Hogue, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
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SANTA FE, NEW MEXICO

9 October 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Dugan Production Corporation for pool extension and an unorthodox oil well loca- tion, Rio Arriba County, New Mexico.	CASE 8713
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BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:	Jeff Taylor Attorney at Law Legal Counsel to the Division Energy and Minerals Dept. Santa Fe, New Mexico 87501
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For Dugan Production:	William F. Carr Attorney at Law CAMPBELL & BLACK P. A. P. O. Box 2208 Santa Fe, New Mexico 87501
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A P P E A R A N C E S

For Jerome P. McHugh:	W. Thomas Kellahin Attorney at Law KELLAHIN & KELLAHIN P. O. Box 2265 Santa Fe, New Mexico 87501
For Koch Exploration:	Robert Buettner Attorney at Law Koch Exploration Company P. O. Box 2256 Wichita, Kansas 67201
For B-M-G:	Ernest L. Padilla Attorney at Law P. O. Box 2325 Santa Fe, New Mexico 87501

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3 MR. QUINTANA: We are up to
4 Case 8713.

5 MR. TAYLOR: The application of
6 Dugan Production Corporation for pool extension and an unorthodox oil well location, Rio Arriba County, New Mexico.

7
8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr with the law firm Campbell and Black, P. A., of Santa Fe, representing Dugan Production Corporation.
10

11 We have one witness who needs
12 to be sworn.

13 MR. QUINTANA: Are there other
14 appearances in Case 8713?

15 If not, we'll proceed.

16 MR. KELLAHIN: If the Examiner
17 please, I'm Tom Kellahin of Kellahin and Kellahin, Santa Fe,
18 New Mexico, appearing on behalf of Jerome P. McHugh.

19 MR. BUETTNER: I'm Robert
20 Buettner, B-U-E-T-T-N-E-R, of Koch Exploration Company.

21 MR. MALLON: George Mallon, M-
22 A-L-L-O-N, Mallon Oil Company.

23 MR. QUINTANA: Any more?

24 MR. PADILLA: Mr. Examiner.

25 MR. QUINTANA: One more, okay.

1
2 MR. PADILLA: I'd like to enter
3 an appearance for Benson-Montin-Greer.

4 MR. QUINTANA: Okay. Any other
5 witnesses to be sworn in?

6 If not, will all witnesses
7 please stand at this time and be sworn in?

8 (Witness sworn.)
9

10 JOHN ROE,
11 being called as a witness and being duly sworn upon his
12 oath, testified as follows, to-wit:

13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q Will you state your full name and place
16 of residence?

17 A I'm John Roe and I live in Farmington,
18 New Mexico.

19 Q Mr. Roe, by whom are you employed and in
20 what capacity?

21 A I'm employed by Dugan Production Corpora-
22 tion as their Engineering Manager.

23 Q Have you previously testified before this
24 Commission or one of its examiners and had your credentials
25

1
2 accepted and made a matter of record?

3 A Yes, I have.

4 Q Are you familiar with the application
5 filed in this case on behalf of Dugan Production Corpora-
6 tion?

7 A Yes, I am.

8 Q And are you familiar with the subject
9 area?

10 A Yes.

11 MR. CARR: We tender Mr. Roe as
12 an expert witness in petroleum engineering.

13 MR. QUINTANA: He is considered
14 an expert witness in petroleum engineering.

15 Q Mr. Roe, will you briefly state what
16 Dugan Production Corporation seeks with this application?

17 A Okay. In our application we are asking
18 that the existing pool boundary for the Gavilan Mancos Oil
19 Pool be extended to the north to include ten sections of ac-
20 reage, four of which would be in 26 North, 2 West, and six
21 of which would be in 25 North, 2 West.

22 It would be a contiguous northern exten-
23 sion of the boundary of the Gavilan Mancos Oil Pool.

24 Q Have you prepared certain exhibits for
25 introduction in this case?

A Yes, I have.

1
2 Q Would you refer to what's been marked as
3 Dugan Exhibit Number One, identify this, and review it for
4 the examiner?

5 A Okay. Exhibit Number One is a structure
6 map prepared using the Niobrara A Zone with the top of that
7 zone as a marker.

8 We've drawn this structure map as if
9 we're depicting a depositional environment that shows to
10 have this structural relief. I want to make a comment that
11 it is not our opinion that this is the way the formation was
12 deposited. We think probably the structural relief we're
13 depicting on the map is a result of faulting; however, we
14 don't feel we have enough data to draw those faults in. We
15 have enough well data to show the structural relief that we
16 do show on this map, though.

17 In addition on the map I've identified
18 the existing pool boundary for the Gavilan Mancos Pool in
19 the green coloring and I've also identified the area that
20 would be included in the proposed extension and that's out-
21 lined in the purple.

22 I would ask you to note that the -- with-
23 in the proposed expansion area there are six well locations
24 that have been staked that should these wells be drilled in
25 a manner from south to north, the proposed extension that
we're asking for at this time would automatically occur upon

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the completion of the wells.

I've also identified on Figure Number One, or Exhibit Number One, acreage that's in the dark shading that Dugan Production has leasehold interest in. In addition in the cross hatched, I've identified acreage that we have received word from other operators that is in support of our application.

Briefly, of the ten sections that are within the pool boundary approximately 6400 acres, we have a total acreage of 73.8 percent within the pool boundary that would be in support of our application.

Of this 73.8 percent Dugan Production has 34.7 percent of that acreage.

The cross hatched or the acreage that would be immediately adjacent to our proposed pool boundary, in other words, within a one mile radius of the proposed extension, there is 18 sections that total about 11,520 acres.

We've received notice from leasehold interest within this 18-section area that they support our application, totally 59.2 percent of that leasehold interest or 1620 acres of leasehold of the adjacent acreage does support our application.

I might make special note that we have received support from the operator of the Canadao Ojitos Unit to the east.

1
2 In addition on this map I've identified a
3 line of cross section that I'll show in an upcoming exhibit,
4 starting in the south at Letter A, it's Jerome P. McHugh's
5 Native Son, located in Unit A of Section 34, 25 North, 2
6 West, and this goes to the north through the original dis-
7 covery well, a well currently operated by Mesa Grande
8 Resources, the Gavilan No. 1 in Unit A of Section 26, and on
9 further to the north and it includes a well that is just
10 being completed by Southland Royalty in Unit C of Section 24
of 25 North, 2 West.

11 All three of these wells are within the
12 existing pool boundary.

13 Also on the cross section continuing
14 north, we've got two wells that have recently been completed
15 by Mallon Oil. These wells are within the proposed area
16 that we are asking for this extension.

17 The first well would be Mallon's Howard
18 Federal Well No. 1-8 in Unit H of Section 1, 25 North, 2
19 West, and then his Fisher Federal No. 2-1 in Unit A of Sec-
tion 2, 25 North, 2 West.

20 And then the most northerly well would be
21 Dugan Production's Tapacitos No. 2, located in Unit L of
22 Section 25, 26 North, 2 West.

23 Q Mr. Roe, Exhibit Number One shows all
24 wells which have penetrated the Gavilan Mancos Oil Pool, is
25

1
2 that correct?

3 A That is correct, as of this hearing date.

4 Q You indicated in your testimony that if
5 the locations which are indicated in the extension area were
6 drilled that the area would automatically be extended. Now
7 why do you recommend that the Commission extend the pool in-
8 to this whole area at this time?

9 A The area would automatically be extended
10 only if the more southerly well was drilled first. We feel
11 that there's a real likelihood that Dugan Production will
12 probably drill some of the initial or drill some of the
13 first -- will drill wells in 26 North, 2 West, before we ac-
14 tually have the pool automatically extended. This is an
15 area where the leasehold interest is really broken up and to
16 have an idea of what your proration unit is at the time that
17 you propose the well is very important.

18 Q There's a pool indicated on this exhibit
19 in Townships 26 and --25 and 26 North, Range 3 West. What
20 pool is that?

21 A Okay, the pool that you're making refer-
22 ence to would be the Ojito Gallup Oil Pool.

23 Q Now, have you contacted Amoco Production
24 Company concerning this application?

25 A Yes, we've been in contact with Amoco.
We notified Amoco by letter of our application and Amoco has

1 indicated that they have no -- that they do not oppose our
2 application.
3

4 Q Did you provide notice of this applica-
5 tion to all the interest owners you could identify within
6 the proposed extension and also within a mile of the exten-
7 sion?

8 A Yes, we did.

9 Q And at this time are you aware of any op-
10 position to the application?

11 A I am aware of no opposition.

12 Q Extension of the pool rules will, if your
13 application is granted, the existing Gavilan Mancos pool
14 rules will be extended and apply to the lands indicated
15 within the extension area and also within a mile thereof, is
16 that correct?

17 A Yes, that is correct.

18 Q At the present time, however, the two
19 southernmost sections in the extension area are already gov-
20 erned by the Gavilan Mancos pool rules.

21 A Yes, and I -- if we exclude those sec-
22 tions from our application, and consider only the most nor-
23 therly eight sections, we would have approximately 88 per-
24 cent of the acreage within the pool boundary in support of
25 our application.

Q Would you now go to what has been marked
as Dugan Exhibit Number Two, identify that and review it for

Mr. Quintana?

A Okay. Exhibit Number Two is the cross section that is identified by line A-A' on Exhibit Number One. As I've indicated earlier, it starts in the south with Jerome P. McHugh's Native Son No. 1 and goes to the north to basically the northern end of our area that we propose for this extension, and so the well on the right would be Dugan Production's Tapacitos No. 2, which is the northernmost well.

 The purpose of this exhibit is to, one, the second well from the left is a well that I've identified as Mesa Grande Resources Gavilan No. 1. This well is located in Unit A of Section 26, 25 North, 2 West. This well was the discovery well for the pool and it is also the type log from which the pool vertical limits were established.

 I have identified the top and bottom of the Gavilan Manco Pool on the type log, the top of the Gavilan Mancos Pool being at 6590 in the Gavilan No. 1 and the bottom of the Gavilan Mancos Pool being at 7574 on this type log.

 In addition on the cross section I've indicated in the yellow, green, and brown, zones that we feel will be the primary zones contributing production within the Gavilan Mancos Pool and I have colored them across the cross section for visual purposes in correlating. I feel that

1
2 what we have within the Gavilan Mancos Pool, again, the
3 three wells on the left of the cross section are within the
4 pool. The two wells on the right of the cross section are
5 outside the pool in the proposed extended area.

6 I feel there's a fairly good correlation
7 of the primary zones of production that we feel exist within
8 the Gavilan Mancos Pool. In addition, if the top of the --
9 or above the zone I've colored yellow, there's a gray-shaded
10 area which has also been completed in two of Mallon's wells
11 in the proposed extended area. I've colored this across the
12 cross section because I feel that I can correlate it. I
13 feel there's no doubt that it is better developed as we go
14 north; however, I feel that because that zone is not chosen
15 as the completion interval in Dugan Production's Tapacitos
16 2, having evaluated that well in a fairly -- fair amount of
17 detail, I again, even in the northern extended area, we feel
18 our primary zones contributing production are the yellow,
19 green and the brown colored.

20 Q In the Tapacitos No. 2 Well the gray zone
21 appeared. How did it appear on the -- on the logs?

22 A Well, in the Tapacitos No. 2 the zone
23 we've colored gray, it has the substantial resistivity
24 development, as you can see on the log. These logs are all
25 induction electricals and whole logs. Even though the
resistivity develops as we see, the lack of SP development

1
2 plus an analysis of the samples that were taken or the mud
3 log that was recorded in this well, we felt the upper zone
4 was not the primary objective and we did not perforate it
5 during our completion efforts of the Tapacitos No. 2.

6 I feel that there's one thing I need to
7 make -- add that is a correction on the cross section. We,
8 in making the cross section, inadvertently left off a plug
9 that exists in Southland Royalty's (not clearly understood)
10 Federal No. 1. This would be the third well log from the
11 left.

12 There is a cast iron bridge plug at 7784
13 and the only reason I mention this is in Southland's well
14 they also perforated the Greenhorn and I've placed the
15 Greenhorn on this cross section to help in correlating the
16 logs, should there be any question that we made a proper
17 correlation. The Greenhorn is at least a zone that almost
18 nobody argues with.

19 And so the Greenhorn perforations in
20 Southland's well are not in communication with the Mancos
21 perforations by virtue of the bridge plug that is set.

22 Q So Exhibit Two shows that the primary
23 producing zones can be correlated from the existing pool in-
24 to the extension area.

25 A Yes.

Q And all these zones are within the verti-

cal limits of the Gavilan Mancos Pool, as defined by the order that created that pool.

A Yes. I did not mention that, but we have identified the perforated intervals in the depth margin of each log and in all cases the top perf is below the top of the Gavilan Mancos Pool and the bottom pool is above the base of the Gavilan Mancos Pool.

Q Would you now refer to Dugan Exhibit Number Three, identify that and review it for the Examiner?

A Okay. Exhibit Number Three is a tabulation of well and production data for all wells that are currently in the Gavilan Mancos Pool boundary or located within a one mile radius of the existing boundary. There is a tremendous amount of information presented on this tabulation. As you can see, it consists of three pages. The first two pages presents the -- basically the operator, the well names, the well location, its completion date, perforated interval, initial potential that was reported to the Commission, and production from that well during August of 1985, and the cumulative production from the Mancos formation as of September 1st of 1985.

And where appropriate, there are either additional remarks necessary, on page three I have provided those remarks.

A brief summary of Table Three, or Exhi-

1
2 bit Number Three, there are eight operators that have wells
3 or locations within the existing pool boundary. Presented
4 on this exhibit there's 29 wells that have been completed.
5 Of that 29, 22 are producing. During August of 1985 produc-
6 tion from these wells, these 22 wells averaged 2579 barrels
7 of oil per day plus 4.2-million cubic feet of gas a day.

8 From these 22 wells as of September 1st,
9 we've produced 1.01-million cubic -- million barrels of oil
10 and 1.46-billion cubic feet of gas from this area.

11 In addition to the 29 wells that have
12 been completed, there are 8 wells that are in the completion
13 process and 8 additional locations that are planned to be
14 drilled.

15 Q What basically does this show about the
16 Gavilan Mancos Oil Pool?

17 Q Our purpose for showing this is with spe-
18 cial emphasis on the daily production and the cumulative
19 production during August and as of September 1st, it indi-
20 cates that we have wells that are capable of some fairly sub-
21 stantial production rates.

22 If I might just go through one well, for
23 instance, a well that is on the cross section, and this
24 would be Jerome P. McHugh's Native Son No. 1, located in
25 Unit A of Section 34, 25 North, 2 West.

This well was completed in June, on June

1
2 7th of 1984. It was perforated from 6765 to 7443; had an IP
3 of 198 barrels of oil per day with a 1636 GOR.

4 During August of 1985 production actually
5 averaged 436 barrels of oil per day and the GOR averaged
6 462. The gas is being sold so this is a realistic and a
7 good GOR. We have a good handle on the gas production.

8 As of September 1st this well has pro-
9 duced 97,384 barrels of oil and approximately 22.8-million
cubic feet of gas.

10 Q Are the production rates that you depict
11 on Exhibit Three indicative or consistent with production
12 from a fracture system?

13 A We feel they are, both from the stand-
14 point that what we know about the Mancos formation, it
15 doesn't have any zones within the Mancos that have substan-
16 tial productivity, and we do feel that fractures are preva-
17 lent in the area and contribute to productivity that we see
in actual production figures.

18 Q In your opinion is this area being ac-
19 tively developed at this time?

20 A Yes, the fact that we have eight
21 locations, eight wells in the completion process, there's a
22 tremendous amount of activity in this area.

23 Q Do you have anything further to add to
24 your testimony concerning Exhibit Three?
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A Not at this time.

Q All right, would you go to Exhibit Number Four, please?

A Okay. Exhibit Number Four is a similar tabulation as was presented on Exhibit Three; however, this is for the area that we're proposing that the pool be extended to include.

It consists of two pages, only one page necessary for the wells, the well locations, and on the second page we have any remarks that would be pertinent to specific wells.

Brief summary on this Exhibit Four is we have four operators that are involved at the current time.

There have been five wells completed and of these five, four of them actually have been placed on production and one is currently shut-in awaiting a gas pipeline connection.

We have two wells that have either been drilled or are in the process of being logged, and waiting on completion.

In other words, the other two wells, one of them is waiting on completion and even though I anticipated the second one to be waiting on completion, they're still logging and so they will be completing in the very near future.

1
2 In addition, there are six indicted loca-
3 tions that operators have staked and plan to drill in the
4 very near future.

5 From this area during August of 1985
6 there was a reported production of 955 barrels of oil per
7 day, and as of September 1st, 45,222 barrels of oil have
8 been produced from the four wells that are on production.

9 Q Mr. Roe, I direct your attention to the
10 Mallon Oil Howard No. -- or Howard 1 Well No. 8, and ask you
11 if this well is drilled at a standard location?

12 A This well was drilled at a standard loca-
13 tion for Undesignated Gallup; however, it is an unorthodox
14 location for the Gavilan Mancos Oil Pool.

15 Q And as part of this application are you
16 seeking approval for the location for that well?

17 A Yes, we are. We're asking the Commission
18 to grant this well an exception to the pool rules by virtue
19 of the fact that it is currently drilled as unorthodox.

20 Q Are there any other wells in the area at
21 unorthodox locations or any other locations staked in an un-
22 orthodox position?

23 A Dugan Production has staked the Tapacitos
24 No. 4 at a location that will be unorthodox for the Gavilan
25 Mancos Oil Pool.

Q And would you request that if it can be

1
2 done, that any existing well or location be grandfathered in
3 as part of this, any order that would result from this hear-
4 ing?

5 A Yes, we would request that. This is an
6 area where topography is really tough, and that is the
7 reason the Tapacitos 4 is unorthodox, is we are as close to
8 1650 feet from the adjacent boundary between West Puerto
9 Chiquito and Gavilan as we can be; however, that location is
10 1600 feet from the line and therefore is 50 feet unorthodox.

11 Q Would you now refer to Dugan Production
12 Corporation Exhibit Number Five and review that for Mr.
13 Quintana?

14 A The Exhibit Five is a production plot on
15 which I've plotted actual production in terms of barrels of
16 oil per day for six wells, two of which are within the Gavi-
17 lan Mancos Oil Pool and four of which are within the pro-
18 posed extended area.

19 I've identified as Well #1, that is
20 Northwest Exploration originally and the current operator is
21 Mesa Grande Resources. It's the Gavilan No. 1.

22 This well commenced production in May of
23 1982 at an initial rate of 65 barrels of oil per day. As
24 you can see, the production inclined to a peak rate of ap-
25 proximately 120 barrels a day in February of 1984, and since
declined to a current rate of 61 barrels of oil a day in

August of '85.

Well #2, also within the Gavilan Mancos Pool, is -- began production in July, 1984, at 312 barrels a day. Again this production has been fairly flat or inclined to a rate in August of 1985 of 436 barrels of oil per day.

Well #3, I've identified with the blue line. This is Dugan Production's Tapacitos No. 2, which is the most northerly well on our cross section which is Exhibit Number Two.

The most obvious thing here is the production's been fairly flat at approximately 45 barrels a day beginning, even though the well was completed in October, 1980, we were not able to actually get the well to produce until we installed rod pump in the well during August of 1984. At that point production began and has averaged approximately 45 barrels a day pretty steady.

Well #4 I've identified with the green line. This is actual production from Mallon Oil's Ribeyowids, I'll spell it, R-I-B-E-Y-O-W-I-D-S, and I'm sure Mr. Mallon will have a reason why that name, but I am not aware of that, but at any rate, this well was -- began production in March of 1985 at the initial rate of 36 barrels a day and as indicated in the green line, it's increased in production; during August of '85 it averaged 154 barrels of oil per day.

Well #5 I've identified with the orange lines. This well has production for only two months, July and August.

July's production overlaps with the Native Son No. 1 production rate averaging 363 barrels during the ten days that it did produce in July.

During August the well produced 14 days and averaged 339 barrels a day.

Well #6 I've identified with the yellow coloring. This is Mallon's Howard Federal Well No. 1-8. It produced five days in July averaging 371 barrels a day and 20 days in August, averaging 420 barrels a day.

Q What conclusion can you draw from this exhibit?

A Well, the basic thing that comes to my mind is that production from the wells that we have, in the Gavilan one we have several years of production and the Native Son No. 1 we've got nearly a year of production. Productivity is either fairly stable or inclining with time.

Q And does that tell you that they are probably in the same pool?

A Yes, the similarities in the production rates between Wells Nos. 4, 5, and 6, with the Native Son No. 1, which is Well No. 2, are better than the Gavilan No. 1, which is Well No. 1, suggests that they all have similar

or possibly better productivity.

Q Are you familiar with the West Lindrith Gallup-Dakota Pool?

A Yes, I am.

Q And where is it located generally in regard to the Gavilan Mancos Oil Pool?

A West Lindrith is located to the west of the Gavilan Mancos Oil Pool.

On Exhibit Number One I have identified the eastern boundary of West Lindrith approximately two miles to the west of the western boundary of Gavilan Mancos.

Q That would be in Townships 24 and 25 North, Range 3 West?

A Yes, that is correct.

Q Have you reviewed production curves on wells in that pool?

A Yes, I have.

Q And how do they compare with the curves depicted on Dugan Exhibit Number Five?

A Typically, in West Lindrith the production rates do not hold up at initial rates for any length of time and they for sure don't improve with time. They generally start declining fairly quickly after being placed on production and decline at a fairly steep rate for the first year and a half to two years.

1
2 Q How does that information compare with
3 what you have seen in the Gavilan Mancos Oil Pool and what
4 does that tell you about drainage?

5 A Well, it suggests to me that we're --
6 our productivity is more influenced by fracturing than mat-
7 rix flow and because of existence of fracturing the 320-acre
8 spacing that is in existence in Gavilan Mancos is -- is pro-
9 bably more appropriate than should the fracture not be
there.

10 Q Would you identify what has been marked
11 as Dugan Exhibit Number Six?

12 A Okay. Exhibit Number Six is a letter
13 that I wrote dated August -- or September 17th, 1985. It
14 was addressed to the people who -- it was addressed to
15 leasehold owners within and adjacent to the proposed area of
extension for the Gavilan Mancos Oil Pool.

16 We forwarded this letter to the leasehold
17 interest we could identify that was either within the pool
18 or within the one mile radius of our extension. An address
19 list of the people we sent this letter to is attached to
20 this letter.

21 Q Would you identify Dugan Exhibit Number
22 Seven?

23 A Okay. Dugan Exhibit Number Seven is a
24 letter dated October 1st, 1985. It was written by Mr. Al
25

1
2 Greer on behalf of Benson-Montin-Greer Drilling Corp. It's
3 a letter indicating that as operator of the Canada Ojitos
4 Unit in the West Puerto Chiquito Pool Mr. Greer is in sup-
5 port of our application.

6 Q Mr. Roe, in your opinion would granting
7 of the application of Dugan Production Corporation in this
8 case provide better control of the development in this gen-
9 eral area?

10 A Yes, it would.

11 Q Would it prevent the economic loss that
12 could occur by the drilling of an excessive number of wells
13 in the area?

14 A Yes.

15 Q Would it result in a greater ultimate re-
16 covery of hydrocarbons than might result if too many wells
17 in fact are drilled in the area?

18 A Yes.

19 Q And in your opinion would it otherwise be
20 in the best interest of conservation, the protection of cor-
21 relative rights, and prevention of waste?

22 A Yes.

23 Q Were Exhibits One through Seven either
24 prepared by you or compiled under your direction and super-
25 vision?

A Yes, they were.

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MR. CARR: At this time, Mr. Quintana, we would offer into evidence Dugan Exhibits One through Seven.

MR. QUINTANA: Exhibits One through Seven will be accepted as evidence.

MR. CARR: That concludes my direct examination of Mr. Roe.

CROSS EXAMINATION

BY MR. QUINTANA:

Q Mr. Roe, to your knowledge, are you aware if the Aztec District Office of the Oil Conservation Division is in agreement with your recommendations?

A We -- I, Mr. Dugan, and Al Greer, have met with Frank Chavez at least twice to discuss this application, and it's my feeling that Frank has no opposition. Frank has not actually told me that he supports this but I think we had Frank's encouragement to go ahead with the pool rule extension, or the proposed application that we have today, and it was only after meeting with Frank that we made our application.

MR. QUINTANA: I have no further questions of the witness. He may be excused.

I'd like to direct that same question to our Aztec District Office Representative.

1
2 Would you state your name for
3 the record and --

4 MR. BUSH: Ernie Bush.

5 MR. QUINTANA: Mr. Bush, could
6 you tell me what your -- what the Aztec District Office is
7 feeling on this matter?

8 MR. BUSH: We have no objection
9 to the application.

10 MR. QUINTANA: Thank you.

11 Is there anything further in
12 Case 8713?

13 MR. TOM OLLE: My name is Tom
14 Olle. I'm a District Reservoir Engineer for Southland Roy-
15 alty in Farmington, New Mexico, and we have an interest in
16 wells both in the current producing area of the Gavilan Man-
17 cos Pool and within the -- have acreage within the extended
18 area that's been applied for this morning, and we just wan-
19 ted to make a statement that we do approve the -- we do re-
20 commend that this be approved and we do support Dugan's pos-
21 ition in this matter.

22 MR. QUINTANA: Fine, thank you.
23 Anyone further?

24 MR. BUETTNER: I'm Robert
25 Buettner on behalf of Koch Exploration Company.

Koch is an owner of interest

1 both in the adjacent unit to the east of the (not clearly
2 understood) as well as owner of interest within the area
3 proposed to be spaced.
4

5 We would also offer our support
6 to Dugan Production.

7 MR. MALLON: My name is George
8 Mallon. We have interest only in the extension and we do
9 support Dugan in requesting that the boundary be extended to
10 the north.

11 Thank you.

12 MR. QUINTANA: If there is no-
13 thing further in Case 8713, Case 8713 will be taken under
14 advisement.
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16 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true, and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8713,
heard by me on October 9 1985.

David Catanzaro, Examiner
Oil Conservation Division