

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

9 October 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer Drilling Corp. for compulsory pooling and an unorthodox oil well location, Rio Arriba County, New Mexico.	CASE 8723
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BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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I N D E X

ALBERT R. GREER

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3 MR. QUINTANA: We'll call next
4 Case Number 8723.

5 MR. TAYLOR: The application of
6 Benson-Montin-Greer Drilling Corporation for compulsory
7 pooling and an unorthodox oil well location, Rio Arriba
8 County, New Mexico.

9 MR. CARR: May it please the
10 Examiner, my name is William F. Carr with the law firm Camp-
11 bell and Black, P. A., of Santa Fe, appearing on behalf of
12 Benson-Montin-Greer Drilling Corporation.

13 I have one witness.

14 MR. QUINTANA: Are there other
15 appearances in Case 8723?

16 If not, would you please stand
17 and be sworn at this time?

18 (Witness sworn.)

19 ALBERT R. GREER,
20 being called as a witness and being duly sworn upon his
21 oath, testified as follows, to-wit:
22
23
24
25

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your name for the record, please?

A Albert R. Greer.

Q Mr. Greer, by whom are you employed and in what capacity?

A Benson-Montin-Greer Drilling Corp. I'm an officer and an engineer in that company.

Q Have you previously testified before the Commission and had your credentials as an engineer accepted and made a matter of record?

A Yes, sir.

Q Are you familiar with the application filed in this case?

A Yes, sir.

Q Are you familiar with the subject area?

A Yes, sir.

MR. CARR: Are the witness' qualifications accepted?

MR. QUINTANA: They are.

Q Would you briefly state what you are seeking with this application today?

A We're seeking to force pool the interest under one of the sections in the West Puerto Chiquito Mancos

1
2 Pool and also to ask for an unorthodox location for the
3 well.

4 Q Have you prepared certain exhibits for
5 introduction in this case?

6 A Yes, sir.

7 MR. CARR: Mr. Examiner, all of
8 Mr. Greer's exhibits are contained in a booklet which is
9 Benson-Montin-Greer Exhibit Number One.

10 We then have a letter which is
11 Exhibit Number Two.

12 Q Mr. Greer, would you refer to the -- your
13 Exhibit Number One and go to what is indicated under Tab A,
14 identify this and review it for Mr. Quintana?

15 A Under Tab A is a plat, orientation plat,
16 that shows the West Puerto Chiquito Pool and the adjoining
17 pool, East Puerto Chiquito, to the east.

18 It also shows the Canada Ojitos Unit
19 boundary and the third expansion area of the Canada Ojitos
20 Unit.

21 Colored in red under Section 30, Township
22 25 North, Range 1 West is the section which we're seeking to
23 force pool the working interests.

24 Q And it indicates in that section the pro-
25 posed well location?

A Yes, sir, the one identified as the Can-

ada Ojitos F-30.

Q Would you now go to the next exhibit Number Tab A?

A The next exhibit under Tab A shows two type logs in the area which have been previously used to identify the vertical limits of pools in this area.

The vertical limits of the West Puerto Chiquito Pool, are the Niobrara member of the Mancos formation and the well within that pool is one which was originally drilled as Bolack-Greer No. 1 Bolack, the lefthand well on the cross section.

Q If you would now go to the next document
in Section A.

A This document shows that part of the Mancos formation which is covered the Canada Ojitos Unit in which this section lies and shows that we have under the working interest under the Canada Ojitos Unit has been joined as to this part of the formation, what we call the main Mancos formation.

Q And is that the primary objective in the subject well?

A Yes, sir.

Q Would you now go to Tab B?

A Tab B is a plat of Exhibit A of the third
expansion area of the Canada Ojitos Unit in which lies the

1
2 subject section and we have shown it outlined in red and
3 blue coloring within Section 30, Township 25 North, Range 1
4 West. The west half of the southeast quarter is owned by
5 Mountain States, a 50 percent interest in that west half of
6 the southeast quarter is owned by Mountain States Natural
7 Gas Company, who have neither joined the unit nor agreed to
8 participate in drilling of the well in writing. They've
9 agreed to participate verbally but we haven't been able to
get beyond that.

10 A Has every other interest owner in Section
11 30 voluntarily -- is every other interest owner in Section
12 30 voluntarily participating in the well?

13 A Yes, sir.

14 Q Will you now go to Section C?

15 A Section C shows the ownership, working
16 interest ownership under the subject section, of which 93.5
17 percent is owned by the committed working interests of the
18 unit; 6.25 percent by Mountain States Natural Gas interest,
which we would like to force pool.

19 Q Okay. And behind that is a letter?

20 A From an abstract company which identifies
21 the ownership of the land which we're asking to be force
22 pooled, which shows that Mountain States Natural Gas Corp.
23 owns a half interest in the west half of the southeast quar-
24 ter.
25

1
2 Q And then the last document in this sec-
3 tion?

4 A This is a letter which I wrote to Moun-
5 tain States Natural Gas Corp. in September requesting that
6 they join in the drilling of the well.

7 Their response to this letter was to send
8 us by Federal Express a check covering their share of the
9 cost of this well and the well in Section 29, which we ear-
10 lier had asked to be force pooled.

11 We sent the check to the bank and it did
12 not clear and we have been unable to do anything with res-
13 pect to their paying their share of this well.

14 Q So at this time you've been unable to ob-
15 tain voluntary joinder in the well.

16 A Yes, sir.

17 Q In your opinion have you made a good
18 faith effort to locate them and bring them into this pro-
19 ject?

20 A Yes, sir.

21 Q Would you now go to the information con-
22 tained behind Tab D, identify this and review it for Mr.
23 Quintana?

24 A Under Tab D we show our cost estimate is
25 evidenced by the AFE we sent to the participants and which
is the same cost estimate we sent to Mountain States Natural

Gas Company.

There's two pages, one, the first page covers the drilling the well and completing it, equipping it.

The second page is for oil and gas gathering and gas lift lines connecting this well to our pipeline systems within the unit.

Q Has this AFE been approved by other participants in the well?

A Yes.

Q And are the costs depicted on this AFE in line with what's charged for other similar wells in the area?

A Yes, sir.

Q Will you now refer to the next document in Section D and identify this and explain what it is and what it shows?

A This is a page three of the accounting provision under the unit operating agreement, which sets out the drilling well overhead and -- and producing well overhead rates, which they were as of the time the unit agreement was entered into or the -- or this unit operating agreement was approved by the unit operators in 1980.

Q And what has happened to the rates depicted in -- on that page from the operating agreement since

1
2 that time?

3 A Well, the next page, which is the last
4 page in the Section D, we show the operating rates as of
5 1980 and the current effective rate as of this year, which
6 is \$2200 a month for a drilling well and \$396 for a produc-
ing well.

7 Q And the \$2200 a month while drilling and
8 \$396 while producing is the rate that would -- will be char-
9 ged against all interests in the well?

10 A Yes, sir, that's the rates that we're us-
11 ing for all the other wells in the unit.

12 Q And are these costs in line with figures
13 being used for other wells in the area?

14 A Yes.

15 Q And do you recommend that the 1985 fig-
16 ures be incorporated into any order which results from the
hearing today?

17 A Yes, sir.

18 Q Does Benson-Montin-Greer seek to be
19 designated operator of the well?

20 A Yes, sir.

21 Q Are you prepared to make a recommendation
22 to Mr. Quintana as to the risk penalty that should be asses-
23 sed against the interest owners who do not voluntarily par-
24 ticipate in the well?
25

1
2 A The penalty which has -- has applied to
3 other wells in this third expansion area of the unit is 200
4 percent and we feel that there is to be no difference for
5 this one.

6 Q And you have pooled other wells in this
7 immediate area.

8 A Yes, sir.

9 Q And because of the nature of the forma-
10 tion a 200 percent penalty has been imposed.

11 A Yes, sir.

12 Q Would you now go to the material con-
13 tained behind Tab F in this exhibit?

14 A Under Tab F we look at the unorthodox lo-
15 cation request, which is 1755 feet from the north line, 2418
16 feet from the west line of Section 30. It's unorthodox for
17 the reason that it's closer than 330 feet a quarter section
18 line. It does not crowd any of the outer boundaries but it
19 does crowd the quarter section line and so for that reason
20 we ask for the unorthodox location because it's necessary
21 that we drill at this point because of topograph which is
22 shown on the green sheet following the first one.

23 This green sheet is a copy of the topo-
24 graphic quadrangle covering this area as prepared by the
25 USGS, and we can see in Section 30 the Continental Divide
runs in just about the location we would like to drill the

1 well in the northwest quarter, so our options were either to
2 crowd the west line of Section 30, which we did not want to
3 do because that is the west boundary of the West Puerto Chi-
4 quito Pool and the east boundary of the Gavilan Mancos Pool,
5 and so we -- because of that, then, we have moved back to
6 the east and request this unorthodox location at this point.

7 Q Would you identify now what has been mar-
8 ked for identification as Benson-Montin-Greer Exhibit Number
9 Two?

10 A Yes, sir. This is a copy of a letter
11 sent to Mountain States Natural Gas Corp. advising them of
12 the hearing set for today to consider this matter.

13 MR. CARR: And, Mr. Examiner,
14 if you will note, the copy of this letter which we provided
15 you has a return receipt signed by Mountain States on it.

16 Q Mr. Greer, in your opinion will granting
17 this application be in the best interest of conservation,
18 the prevention of waste, and the protection of correlative
rights?

19 A Yes, sir.

20 Q Were Exhibits One and Two either prepared
21 by you or prepared at your direction?

22 A They were.

23 MR. CARR: At this time, Mr.
24 Quintana, we would offer into evidence Benson-Montin-Greer
25

1
2 Exhibits One and Two.

3 MR. QUINTANA: Exhibits One and
4 Two will be entered as evidence.

5 MR. CARR: That concludes my
6 direct of Mr. Greer.

7 CROSS EXAMINATION

8 BY MR. QUINTANA:

9 A Mr. Greer, Mountain States just didn't
10 return your letters, or anything, your phone calls or no-
11 thing?

12 A The only communication we've been able to
13 establish with Mountain States is with one of the office
14 people, who said that they were -- occasionally can -- can
15 make contact with Mr. Blair (sic), who kind of owns Mountain
16 States Natural Gas Company, and that he, relaying his infor-
17 mation on to us through this intermediate person, said that
18 he wanted to join in drilling the well; not only this well
19 but one that we'd asked for to be force pooled a month or so
20 ago in Section 29, and his share of the cost approximated
21 about \$64,000, and so I told them we needed to have a posi-
22 tive answer right away and that under the terms of the for-
23 ced pooling order he had the right within thirty days of the
24 time we advised him to pay his share of the cost of the
25 well.

1
2 So then by express mail they sent us a
3 check, not only for the well in Section 29 but for this
4 well. The check would not clear the bank and so we called
5 back to advise them of this, why, the officer person tells
6 us that Mr. Blair will, as soon as he can contact him again,
7 he will advise him that the check didn't clear and that he
8 will do something.

9 One of our concerns is that even though
10 he has not signed an operating agreement, most operating
11 agreements would provide that operators who agree to drill
12 wells but for some reason are slow in making payments, that
13 the operator can charge some percent, 12, 15, 18 percent in-
14 terest for delayed payment while waiting for it to be paid.

15 We don't know whether this is a ploy of
16 Mountain State Natural Gas to avoid the 200 percent penalty
17 or what. So we're concerned and we feel the only thing we
18 can do is go forward with the forced compulsory pooling pro-
19 cedure and certainly if he pays, fine, that settles it, but
20 if he waits until the well has paid out its costs and then
21 wants to come in and say well, it was my intention to join
22 and to pay and I sent you a check and I didn't know it
23 didn't clear the bank, you know, what -- we're just specu-
24 lating as to what can happen, but from past experience with
25 Mountain States, we're concerned.

Q Fine. I needed that cleared up because

1
2 many times Mountain States has been compulsory pooled and I
3 just was never clear the reason that nobody ever contacted
4 them.

5 Mr. Greer, I'm going to break from my
6 usual routine and ask you no further questions based on what
7 you just told me.

8 MR. QUINTANA: Are there
9 further questions of the witness?

10 If not, he may be excused.

11 Anything further in Case 8723?

12 If not, Case 8723 will be taken
13 under advisement.

14 (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. _____
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division