

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

17 September 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Com- CASE
pany for the amendment of Division 8992
Order No. R-7267, Lea County, New
Mexico.

BEFORE; David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For Amoco Production:

William F. Carr
Attorney at Law
CAMPBELL & BLACK P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Daniel R. Currens
Attorney at Law
Amoco Production Company
P. O. Box 3092
Houston, Texas 77253

I N D E X

STATEMENT BY MR. CURRENS

3

ROBERT P. ZINSMEISTER

Direct Examination by Mr. Currens 4

Cross Examination by Mr. Catanach 13

Cross Examination by Mr. Taylor 15

Recross Examination by Mr. Catanach 16

STATEMENT BY MR. CURRENS

E X H I B I T S

Amoco Exhibit One, R-7267 4

Amoco Exhibit Two, Base Map 6

Amoco Exhibit Three, Base Map 7

Amoco Exhibit Four, Summary 8

Amoco Exhibit Five, Graph 10

Amoco Exhibit Six, Well Cost 11

Amoco Exhibit Seven, Costs 11

Amoco Exhibit Eight, Document 12

1
2 MR. CATANACH: Call next Case
3 Number 8992.

4 MR. TAYLOR: Application of
5 Amoco Production Company for the amendment of Division Order
6 No. R-7267, Lea County, New Mexico.

7 MR. CATANACH: Are there
8 appearances in this case?

9 MR. CURRENS: Mr. Examiner, I'm
10 Dan Currens, an attorney from Houston, Texas, representing
11 Amoco Production Company in this matter in association with
12 Bill Carr.

13 Here's an appearance letter and
14 a copy of all the notices to the parties that will be invol-
15 ved in this matter.

16 I'll have one witness in this
17 matter.

18 MR. CURRENS: Let me just start
19 and briefly summarize why we're here today.

20 At the hearing in Case Number
21 7835 on March 30th, 1983, the Division issued Order 7267
22 pooling the interest for 320 acres for a well to be drilled
23 for the Morrow and Wolfcamp gas.

24 A well was drilled and com-
25 pleted in the Morrow and produced for a time, then was re-

1 completed to the Wolfcamp where oil production was obtained.

2 We subsequently realized that
3 the order covered Wolfcamp but it was for a 320-acre gas
4 unit and we now have an oil well so we've seeking to amend
5 that order to cover the oil completion here.

6 So in conjunction with that,
7 Mr. Examiner, I request that the record of Case 7835 and Or
8 der No. R-7267 be incorporated in the record of the hearing
9 on this matter.

10 MR. CATANACH: Case 7835 and
11 Order No. R-7267 will be incorporated into this case file.

12 MR. CURRENS: Thank you, Mr.
13 Examiner.

14

15 ROBERT P. ZINSMEISTER,

16

17 being called as a witness and being duly sworn upon his
18 oath, testified as follows, to-wit:

19

20 DIRECT EXAMINATION

21 BY MR. CURRENS:

22 Q Sir, would you state your name, by whom
23 employed, and in what capacity and in what location?

24 A My name is Robert P. Zinsmeister. I am a
25 petroleum engineer by degree. I work for Amoco Production

1 Company in their Houston office in their Regulatory Affairs
2 Group.

3 Q And, Mr. Zinsmeister, have you appeared
4 before the Oil Conservation Division before?

5 A Yes, sir, I have.

6 Q And have you previously covered your
7 qualifications as a petroleum engineer before this Division?

8 A Yes, sir, I have.

9 Q And are you familiar with Amoco's appli-
10 cation in this matter?

11 A Yes, sir.

12 MR. CURRENS: Mr. Examiner, do
13 you want anything further on his qualifications?

14 MR. CATANACH: No, that will be
15 fine. Mr. Zinsmeister is considered qualified.

16 MR. CURRENS: Thank you, sir.

17 Q Mr. Zinsmeister, let me direct your at-
18 tention to Exhibit One and ask you what that is, please,
19 sir.

20 A Exhibit Number One is a copy of Order No.
21 R-7267, which was entered in Case Number 7835. This order
22 provided for the compulsory pooling of all mineral inter-
23 ests, whatever they may be, in the Wolfcamp and Pennsyl-
24 vanian formations underlying the west half of Section 24,
25 Township 20 South, Range 35 East, Lea County, New Mexico.

1 Q All right, sir, what horizons did that
2 order cover?

3 A Both the Wolfcamp and the Morrow.

4 Q And further, does that order provide for
5 the penalty for people who do not participate in the normal
6 and standard provisions of a pooling order in this kind of
7 matter?

8 A Yes, sir, it does.

9 Q But that order also provided for Morrow
10 gas and for Wolfcamp gas, did it not?

11 A Yes, sir.

12 Q All right, sir. Let me direct your at-
13 tention, then, to Exhibit Number Two and ask you what that
14 shows.

15 A Exhibit Number Two is a base map of the
16 West Osudo Morrow operating area in the vicinity of the Hel-
17 ler Company Trust Well No. 1, which is the well that was
18 drilled subject to the order previously mentioned.

19 This well is located in the red outlined
20 area, which defines the west half of Section 24, which is
21 the gas unit for that well.

22 Additionally on this exhibit you'll see
23 performance data on this well and other Morrow completions
24 in the area.

25 Q Okay, what's the status of that Morrow

1 completion in the Heller Trust Well?

2 A The Morrow was plugged in May of 1985.

3 Q And what kind of cumulative production
4 did it have from the Morrow prior to the time it was plug-
5 ged?

6 A As referenced on this exhibit, one can
7 see that the Morrow produced cumulatively approximately
8 17.9-million cubic feet of gas and 530 barrels of conden-
9 sate.

10 I would like to note that the production
11 figures have barrel of oil per day, for barrels of oil, and
12 that really should be condensate.

13 Q Okay.

14 A It's a typographical error.

15 Q Thank you, sir. Let's look now at Exhi-
16 bit Number Three and tell me what is shown on that exhibit,
17 please, sir.

18 A Okay. Exhibit Number Three is a base map
19 similar to the previous base map; however, on this exhibit
20 we indicate the Wolfcamp production in the immediate vicin-
21 ity of the subject well.

22 Also delineated on this exhibit is the
23 appropriate spacing and proration unit for a Wolfcamp oil
24 completion, which is described as the southwest quarter of
25 the northwest quarter of Section 24.

1 Like the previous exhibit there is pro-
2 duction and performance data for the Wolfcamp completions in
3 the area of this well.

4 Q Okay. I note that the well symbol here
5 for the Heller Well as a Wolfcamp completion shows to be gas
6 but you've called it an oil well.

7 Did we have reason to believe at the time
8 of the last hearing that a gas well would be obtained at
9 this location?

10 A Yes, sir, we did. If you look to the
11 south of the Heller Well on this exhibit you'll note that
12 there are two Wolfcamp gas completions that have been produc-
13 ing for several years prior to our application for compul-
14 sory pooling in 1983.

15 Q So at the time of that hearing it was
16 logical to expect gas from the Wolfcamp as well as from the
17 Morrow on the location that -- where this well is located,
18 is that correct?

19 A That is correct.

20 Q And it was for that reason that we asked
21 for a pooling order in the manner that we did at that time,
22 in anticipation of gas completions?

23 A Yes, sir.

24 Q All right, sir, let me ask you then to
25 turn to Exhibit Four and briefly explain what's shown on

1 that exhibit, please, sir.

2 A Exhibit Four provides a summary of all
3 the activity associated with the Heller Company Trust A Well
4 No. 1.

5 Briefly reviewing it with the staff, in
6 March of 1983 Amoco proposed for a compulsory pooling
7 hearing, which was held before the NMOCD. An order was is-
8 sued in April and two days after the order was issued the
9 well was spud due to some time constraints with expiring
10 leases.

11 In August of that year Amoco requested an
12 extension to the time requirements to complete this well.
13 We were having trouble obtaining a commercial completion in
14 the Morrow. The NMOCD did grant this extension and in
15 November of that year we did complete the Morrow after num-
16 erous difficulties and established a calculated AOF of ap-
17 proximately 467 MCFD from the Morrow.

18 Q All right, and then it produced for some
19 period of time after that?

20 A The well produced for approximately a
21 year and a half.

22 Q All right.

23 A At which time we plugged it due to uneco-
24 nomic production rates from the Morrow.

25 Q And what did you do after you plugged the

1 Morrow?

2 A In the same month as our abandonment, we
3 recompleted to the Wolfcamp and established a flowing Wolf-
4 camp oil completion.

5 Q And we were in anticipation of a Wolfcamp
6 completion at this location dating back to the time of our
7 initial hearing, is that correct?

8 A That is correct.

9 Q Because it was provided for in there
10 simply that that order pooled for gas on 320 acres, is that
11 correct?

12 A That's correct.

13 Q All right, sir, how's that Wolfcamp
14 doing? Let's look at Exhibit Five and tell us about what
15 kind of performance we've had from the Wolfcamp since that
16 recompletion.

17 A Exhibit Five presents a performance graph
18 of Wolfcamp production on a semilog plot. The well
19 initially potentialed or came on line for approximately 270
20 barrels of oil per day. The last test rate we have for July
21 of this year has the well producing approximately 35 barrels
22 of oil per day.

23 The cumulative production to date from
24 the -- from the Wolfcamp is slightly less than 40,000
25 barrels of oil and 151,000,000 cubic feet of gas.

1 Q Now you said to date there, Mr.
2 Zinsmeister, what date are you talking about?

3 A That would be as of August 1st, 1986. We
4 do not have August data on this exhibit.

5 Q Okay. And this cumulative production
6 information is in the legend in the upper righthand part,
7 sort of --

8 A Yes.

9 Q -- heavy black? Okay. Let me ask you to
10 turn to Exhibit Six and tell us what that is, please, sir.

11 A Okay. Exhibit Six presents an itemized
12 well cost for the Morrow drilling and completion in the Hel-
13 ler Company Trust Well and totals to approximately \$1.97-
14 million.

15 Q Okay, and that was the original well and
16 the total cost of the original well as it was completed.

17 A Correct.

18 Q Okay. Now we subsequently plugged the
19 Morrow. Let me ask you to turn to Exhibit Seven and tell us
20 what that shows, please, sir.

21 A Exhibit Seven tabulates the cost to plug
22 and abandon the Morrow and prepare the well for the recom-
23 pletion and that totals to \$22,620 and then the actual cost
24 of the recompletion to the Wolfcamp totaled to \$81,000.

25 Q For a total of about \$103-or104,000 be-

1 yond the amount that was shown on Exhibit Six before.

2 A That is correct.

3 Q All right, sir. Let me ask you then to
4 turn to Exhibit Eight and tell us what is shown here.

5 A Okay. Exhibit Eight presents a listing
6 of those parties that were compulsory pooled in the original
7 well completion and the interests of those nonparticipating
8 parties in the Wolfcamp oil unit.

9 Q All right, sir. Now these parties were
10 all initially, if I understood what you just said, were all
11 initially subject to the pooling order that was issued in
12 1983 for both zones and would also be the ones that would be
13 subject to the order for -- that we're asking for here to-
14 day, the amendment to that order to cover Wolfcamp oil and
15 its 40-acre proration unit, is that correct?

16 A That is correct.

17 Q All right, sir. Let me ask you if you
18 have any recommendation to make in conjunction with this
19 matter?

20 A I do.

21 Q Would you make one?

22 A I would recommend that the Commission
23 amend Order R-7267 to provide for compulsory pooling of all
24 interests, whatever they may be, in the Wolfcamp in the
25 southwest quarter of the northwest quarter of Section 24,

1 Township 20 South, Range 35 East, Lea County, New Mexico, to
2 form a 40-acre proration unit for the production of oil and
3 gas from the Wolfcamp.

4 I'd also request that the well cost, as
5 referenced in this order, be calculated as the total cost to
6 drill and complete the Morrow Well, the plug and abandon the
7 Morrow horizon, and to recomplete to the Wolfcamp.

8 And finally I would request that all
9 other provisions of that order remain the same.

10 Q All right, sir, so we're simply asking to
11 continue the same general terms of the basic order but
12 provide now for a 40-acre Wolfcamp well, is that correct?

13 A That is correct.

14 Q Is it your opinion, Mr. Zinsmeister, that
15 granting of this application will prevent waste and protect
16 correlative rights?

17 A Yes, sir.

18 Q Is there anything further that you have
19 regarding any of these exhibits?

20 A No, sir.

21 MR. CURRENS: Mr. Examiner.

22
23 CROSS EXAMINATION

24 BY MR. CATANACH:

25 Q Mr. Zinsmeister, the AFE for drilling

1 costs, that does not include the cost to P&A the Morrow and
2 recomplete in the Wolfcamp?

3 A This, if you're referencing Exhibit Num-
4 ber Six?

5 Q Number Six.

6 A Yes, I don't know if I'd necessarily call
7 that an AFE. That's the actual costs that we incurred to
8 drill and complete only the Morrow.

9 It does not include any costs associated
10 with abandonment of the Morrow or completion of the
11 Wolfcamp.

12 Q So I understand, you wish to include the
13 cost of (unclear) the Morrow and recompleting in the
14 Wolfcamp in the drilling costs.

15 A Correct.

16 Q The interest owners you have listed on
17 Exhibit Number Eight, they have -- that is the same interest
18 -- they have the same interest in a 40-acre unit as they did
19 in the 320-acre unit?

20 A No, they do not.

21 Q So this is the interest they have in the
22 Wolfcamp 40-acre unit.

23 A That is correct.

24

25

CROSS EXAMINATION

BY MR. TAYLOR:

Q Do the parties listed on Exhibit Eight have an interest in the gas formation? Is the interest the same?

A Which gas formation are you referring to?

Q Where you originally completed.

A Yes, sir, they were originally compulsory pooled in the Morrow.

Q Is their interest the same in both of them? Is that what you understand?

A Were the lands the same for each of the horizons, then their interest would be the same but due to the shrinking of the unit from 320 acres to 40, their interest was reduced.

Q So they own -- they are interest owners in both formations but to a different degree.

A Yes, sir. It's really due to unit size, not --

Q There won't be any problem figuring out how to prorate the costs if it's not in the order, (unclearly understood.)

A I don't have a problem with it.

RECROSS EXAMINATION

BY MR. CATANACH:

Q The producing overhead charges in the original order are \$7267. Do you wish for those to remain the same?

A That's fine by me.

Q Is that fair? In your opinion is that fair?

A I know that the rates have gone up but they're roughly the same as in that order.

MR. CURRENS: Mr. Examiner, had it turned out to be a gas well, we would be with those rates and we don't want to do anything different to anybody than would have been done before and it's just that we got an oil well.

Q Okay. Is this well actually in the West Osudo Wolfcamp Pool?

A That's how it's carried in the schedule and that's how all the paperwork's filed.

Q Is that classified as a gas pool?

A No, no. The West Osudo Wolfcamp is an oil pool.

Q Is an oil pool.

A The two wells that you see in the south of that exhibit with the Wolfcamp production, that's the

1 Southeast Lea Wolfcamp Pool, so there's two separate pool
2 designations for those wells.

3 Q What was that, the Southeast --

4 A Lea Wolfcamp.

5 Q Is that well at a standard location for a
6 Wolfcamp oil completion?

7 A Yes, sir, it complies with statewide
8 spacing requirements.

9 Q Okay, I'm just a little concerned with
10 the allocation of charges to the nonconsent owners. You say
11 you do have an equitable way of doing it?

12 A Well, --

13 MR. CURRENS: Well, what we
14 have here is an order where we had the Morrow and the Wolf-
15 camp contemplated for completion to begin with.

16 We had a Morrow completion and
17 it was gas and it was abandoned.

18 We now have a Wolfcamp comple-
19 tion entirely in accordance with the order and and any con-
20 templation of when it came in, it just turned out to be an
21 oil well instead.

22 Now, that then changes this
23 from a 320-acre proration unit to a 40-acre proration unit
24 for the oil zone, and therefore it alters the interest that
25 these people have because their interests in the 40 are not

1 precisely the same as they would have been -- as they were
2 in the 320.

3 With respect to where we are on
4 the payout and penalty provisions of this order, the cost
5 that we had to complete in the Morrow, plus the recompletion
6 costs that go to the Wolfcamp, less all of the revenue from
7 the Morrow, and then subsequently the revenue from the Wolf-
8 camp, would be those -- those who would go against those
9 costs, and there -- we do this on 100 percent basis, so
10 their application of percent at any time is -- is, you know,
11 thoroughly obtainable.

12 A Just multiplied by a different number.

13 MR. CURRENS: The well pays out
14 or doesn't -- I wish it would -- the well pays out on a
15 gross basis, in essence, when you start those calculations,
16 and then you simply look to the individual fractioning with
17 respect to that.

18 It's the same as if a fraction
19 of the well paid out a fractional owner or the well paid out
20 in its entirety, so it's the well paying out in its entirety
21 before you reach the point at which a penalty, you know, the
22 penalty part would start being reduced, as well.

23 Or that's my view of it, Mr.
24 Examiner.

25 Q The interest owners' income from the Mor

1 row, that will just be -- it will just keep adding up now
2 from the income they get from the Wolfcamp. That will just
3 keep adding up until their --

4 MR. CURRENS: Yes, sir.

5 Q -- penalty is paid?

6 MR. CURRENS: Yes, sir.

7 Q You didn't start over or anything.

8 MR. CURRENS: No, sir.

9 MR. CATANACH: Okay, I have no
10 further questions of this witness.

11 MR. CURRENS: Mr. Examiner, I
12 think we've already gotten Exhibit One in the record by
13 adoption of the prior case.

14 Q Mr. Zinsmeister, were Exhibits Two
15 through Eight prepared by you or under your direction?

16 A They were.

17 MR. CURRENS: I offer those in
18 evidence, Mr. Examiner.

19 MR. CATANACH: Exhibits Two
20 through Eight will be admitted into evidence.

21 Is there anything further in
22 Case 8992?

23 MR. CURRENS: That's all we
24 have, sir.

25 MR. CATANACH: It will be taken
under advisement.

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO
HEREBY CERTIFY 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. 8892
heard by me on September 17, 1986

David R. Catamb, Examiner
Oil Conservation Division