

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 25 July 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Tenneco Oil Company for CASE
10 seven non-standard proration units, 8282
11 San Juan County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13
14 TRANSCRIPT OF HEARING

15
16 A P P E A R A N C E S

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3 MR. STOGNER: We will now call
4 Case Number 8282.

5 MR. PEARCE: That case is on
6 the application of Tenneco Oil Company for seven non-stand-
7 ard proration units, San Juan County, New Mexico.

8 MS. AUBREY: Karen Aubrey, Kel-
9 lahin and Kellahin, representing the applicant.

10 I have one witness to be sworn.

11 MR. PEARCE: Are there other
12 appearances in this matter?

13 (Witness sworn.)

14 MS. AUBREY: Mr. Examiner, I
15 would like to make a brief opening statement.

16 MR. STOGNER: Yes, Ms. Aubrey.

17 MS. AUBREY: In 1979 the Oil
18 Conservation Commission entered Order R-1670-T, which ap-
19 proved infill drilling in the Blanco Mesaverde Pool.

20 In 1980 Tenneco came before an
21 examiner hearing on these seven wells for permission to
22 downhole commingle the Mesaverde and the Chacra and also to
23 dually complete five of the wells in the Dakota.

24 At the time of that hearing the
25 Blanco Mesaverde Pool was spaced on 160 acres. At the hear-
ing before the Commission -- I'm sorry, before the examiner,

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2 testimony was presented that the ownership in the 160-acre
3 Blanco Mesaverde Proration Unit within the 320 Dakota units
4 was not common.

5 These wells were almost all
6 completed in 1981 and have been producing ever since.

7 In 1984 the Aztec Division of
8 the Commission directed Tenneco to rededicate the acreage to
9 these wells to dedicate 320 acres to each of the Blanco
10 Mesaverde wells. This was as a result of the 1982 Division
11 Order expanding the limits of the Blanco Mesaverde Pool to
12 the acreage dedicated to these wells.

13 The production from all of
14 these wells is being sold in interstate commerce and there
15 is no application of the New Mexico Natural Gas Pricing Act
16 to these wells. Interstate.

17 MR. STOGNER: All right.

18 MS. AUBREY: We plan to put on
19 testimony today, Mr. Examiner, to show that rededicating the
20 acreage to 320 acres to these wells would impair correlative
21 rights and would create insurmountable accounting and con-
22 tract problems with the various owners under the various
23 160-acre tracts.

24 MR. STOGNER: Thank you, Ms.
25 Aubrey.

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EDGAR KERR,

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

DIRECT EXAMINATION

BY MS. AUBREY:

Q Would you state your name, please.

A Edgar Kerr.

Q Where are you employed?

A With Tenneco Oil in Denver.

Q What is your job with Tenneco Oil in Denver?

A I'm a petroleum landman.

Q Mr. Kerr, have you testified previously before the Commission or one of its examiners?

A I have not.

Q Will you tell the Examiner what your professional degrees are?

A I have a degree from the University of Texas at Austin in petroleum land management and approximately fourteen months experience with Tenneco Oil.

Q When did you receive your degree in petroleum land management?

A In May of 1983.

Q Mr. Kerr, are you familiar with land title in the San Juan Basin in the area under the seven wells that we're going to be talking about today?

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A I am.

Q And are you familiar with Tenneco's application for seven non-standard proration units?

A I am.

MS. AUBREY: Mr. Examiner, I tender Mr. Kerr as an expert petroleum landman.

MR. STOGNER: He is so qualified.

Q Let me refer you to Exhibit Number One, Mr. Kerr.

Will you identify that and tell the Examiner what it shows?

A Yes. It's a plat showing the seven non-standard proration units that we are requesting.

Q And does that plat also identify and locate the wells in question?

A Yes, it does.

Q I notice on my copy of the plat that there are black lines drawn through the Valdez A 1-E, the Valdez Com B-1, and the Elton Paine A 1-E. Can you explain that?

A Yes. I believe they're not going to be presented for the purpose of this hearing.

Q Okay, so it's just the other wells shown in the unmarked portion of the plat that we'll be talking about today.

A That's correct.

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Q I'd like you to look at Exhibit One, Mr. Kerr. Can you tell the Examiner whether or not there is a Blanco Mesaverde well on each 160 in the area shown in yellow?

A There is, and each well is named within that 160.

Q I want to refer you now to Exhibit Number Two, which is a three-page exhibit. Will you look at that and explain what that exhibit shows?

A Yes. What this Exhibit Number Two is showing is it pertains to the Sullivan A 1-E, which you will find in the southwest of Section 25 on your plat, and if your exhibit goes along with mine, the first page to the exhibit is the Dakota interest owners.

The next page of this is the Sullivan A 1-E, the Chacra-Mesaverde commingled, which is just for the 160 of Section 25 whereas the first -- the first page was for the complete 320, or the west half of Section 25.

And the last page is for the Bruce Sullivan Com B-1, which is just the 160 Chacra-Mesaverde in the northwest of 25.

And what we're trying to show here, or what this does show, is the difference in ownership between the two 160's.

Q That would be pages 2 and 3 of Exhibit Two, is that right?

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A That's correct.

Q Could you quickly run through those, Mr. Kerr, and point out the differences in ownership to the Examiner?

A Okay. Pretty much you can go arbitrarily and just -- you can go from page 2 to 3 and just pick out any individual's name and see if they correlate or if they don't.

We could go through --

Q For instance, Mr. Kerr --

A Amoco, Inc. is within the Sullivan A 1-E while it is not in the northwest quarter or the Bruce Com, or Bruce Sullivan Com B-1.

Q And the same is true of Southland Royalty?

A Yes, that is correct.

Q And other interest owners that are shown on these two pages?

A Exactly.

Q Is it correct that Tenneco's interest, as shown on pages two and three of Exhibit Two is different?

A Yes, it is.

Q I refer you to Exhibit Three. Would you explain to the Examiner what that exhibit shows?

A This exhibit deals with another 320 spacing unit with the Dakota and two Chacra-Mesaverde commingled wells, this being the Marquis Eaton A-1 and the Eaton Com B-

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The first page of the exhibit deals with the Marquis Eaton "A" 1E, the Dakota interest owners, and then you would have to go to the third page and you would find the Mesaverde and Chacra interest owners of the Eaton Com B-1, which would be just the southeast of Section 25.

And the fourth page would be for the Marquis Eaton "A" 1E Chacra-Mesaverde interest owners, which would be just for the northeast of Section 25.

And I think here we have a more dramatic representation of the big variance of interest owners within each 160.

Q Exhibit Three shows that there are substantially more interest owners in the Eaton "A" 1E as opposed to the Eaton Com B-1.

A Exactly.

Q Now would you look at Exhibit Number 4, please.

A Yes.

Q And tell the Examiner what that shows.

A Okay. Again we're dealing with the same situation. On this particular exhibit it is dealing with the north half of 30 and the Sullivan Fram Com B-1 and the Sullivan Frame "A" 1E.

The first page of the exhibit again is dealing with the Dakota only, which is the north half of 30, and you will go to the next page and it will show the Chacra

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and Mesaverde for the Sullivan Frame Com B-1, which is just to the northwest of Section 30.

And the last page is for the Sullivan Frame "A" 1E Chacra and Mesaverde only, and it's, again all these are showing working interest owners and again you see a significant difference between the two 160's.

Q I refer you to Exhibit Number Five. Can you explain to the Examiner what that shows?

A Yes. This deals again with the same situation where in Section 19, now, which is the east half, and my first page shows the Bunce Com No. 1, the Chacra and Mesaverde, which is the northeast of Section 19.

And the second page is the Payne "A" 1E, the Elvin Payne "A" 1E, which is the southeast of Section 19 and its interest owners, with the last page being the Elvin Payne "A" 1E Dakota rights, which would include all of the west half of Section 19.

And again we have a big difference in ownership and interests.

Q Between the two 160's.

A Exactly.

Q And I suppose differences exist in the Blanco Mesaverde, as to all of the last four exhibits, is that correct?

A That is correct.

Q Let me refer you to Exhibit Number Six. Can you identify that for us?

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A Yes. This is an exhibit prepared for the purpose of this hearing.

Q And does that show a summary of the wells in question with their spud date, first delivery date, the completions, type of completion and some production figures?

A Yes, it does.

Q I'd like you to look at Exhibit Number Six, Mr. Kerr, and tell us whether or not you can compare on here the production from, for instance, the Marques Eaton "A" 1E and the Eaton Com B-1?

A Yes, you can. Just for an example, on these two wells, which are the very last one, I guess fourth from the last, under the column marked Mesaverde, that is production from the Mesaverde. You can check under cumulative production, you see that the Marquis Eaton has 91,369 MMCF as opposed to the Eaton Com having 28,830.

Q And, Mr. Kerr, can you compare the date for first delivery of these two wells for us, please?

A Yes. Date of first delivery for the Eaton Com, which had a 28,830 cum production, was 10-81 while the Marquis Eaton "A" 1E was 6-81, so there's not a significant variance in the date of first production.

Q But a significant variance in the cumulative production of the wells?

A That is correct.

Q Mr. Kerr, in the event that Tenneco's application is denied and 320 acres is dedicated to the wells

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2 in the Mesaverde completions, can you give us an opinion as
3 to whether or not the working interest owners in the Marquis
4 Eaton "A" 1E would have any motivation to share their pro-
5 duction with the working interest owners in the Eaton Com B-
6 1?

7 A It is my opinion that initially by the
8 very nature of people, they do not like to go back in and
9 redo anything of this sort, and additionally, as soon as
10 they find out the production figures, there's going to be
11 absolutely no way they're going to enter into any type of
12 subsequent contracts to enlarge their proration unit, vir-
13 tually giving other persons a piece of their pie, to use an
14 analogy.

15 Q Would --

16 A So I guess my answer would be no, there
17 would be no way that they would want to do this.

18 Q Would the dedication of 320 acres to
19 these wells dilute the interest of the working interest
20 owners in the Marques Eaton "A" 1E?

21 A Yes, it would virtually half them.

22 Q Let me refer you, sir, to the Sullivan
23 Frame Gas Unit "A" 1E and the Sullivan Frame Com B-1.

24 Can you make the same kind of comparison
25 between those two wells for us?

A Exactly, yes, you can, and these two par-
ticular wells, you're looking at one month difference in the
time of first delivery, yet for the Sullivan Frame Gas Unit

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2 "A" 1E you have a cum production of 38,570 as opposed to
3 7,843 for the Sullivan Frame Com B-1.

4 Q Can you draw any conclusions about the
5 likelihood of the working interest owners in the Sullivan
6 Frame Gas Unit "A" 1E being willing to share their produc-
7 tion with the working interest owners in the Sullivan Frame
8 Com B1?

9 A I think it would be a similar instance as
10 we had with the Marques Eaton "A" 1E, whereby they're not
11 going to be acceptable to this and would do anything to keep
12 from entering into any type of that agreement.

13 Q I believe you testified earlier, sir,
14 that on each 160-acre proration unit shown on the plat, that
15 there exists a Blanco-Mesaverde well.

16 A That is correct.

17 Q So it's true, isn't it, Mr. Kerr, that
18 all working interest owners in the area shown on the plat
19 are sharing in Blanco-Mesaverde production?

20 A That is true.

21 Q Under the existing 160-acre proration
22 units.

23 A That is correct.

24 Q Do you know, sir, whether or not it would
25 possible to redo those proration units, now?

A To redo them as far as -- could you --

Q Would it be possible to, let's say for
example, execute new contracts for those people?

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A Would it -- okay, feasible or possible?

Q Well, let's talk about feasible.

A Okay, absolutely not.

Q How about joint operating agreements?

A Absolutely not, none of these people.

Q Let me refer you to Exhibit Number Eight and Nine, to Eight, Nine and Ten, these are copies of orders entered by the Oil Conservation Commission and, first of all, as Exhibit Number Eight, the prior application of Teneco Oil Company for the dual completion or downhole commingling of these wells, is that correct?

A Yes.

Q And Exhibit Number Nine, Order R-7046 is the order which expanded the limits of the Blanco Mesaverde Pool, is that correct?

A Yes, it is.

Q And Exhibit Number Ten, Order R-1670-T, which was the blanket infill drilling order issued in 1974 in this -- in the Blanco Mesaverde Pool, finding that a Blanco Mesaverde well in this area would efficiently and effectively drain 160 acres, is that correct?

A That is correct.

Q Now let me have you look at Exhibits Eleven, Twelve, Thirteen, Fourteen, Fifteen, and Sixteen. Can you identify those?

A Yes. These are permits to drill, applications for permits to drill.

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2 Q Okay, and that's for the seven wells that
3 are in question here?

4 A That is correct.

5 Q Let's look at Exhibits Numbers Eleven and
6 Eleven-A, the first -- the page one and page two.

7 A Okay. Can you tell the Examiner what
8 original acreage was dedicated to the well as is shown by
9 the application for permit to drill?

10 A Yes. The original acreage dedicated
11 would be the southeast of 25.

12 Q And how many acres?

13 A That's 160 acres.

14 Q Exhibit Eleven-A, what does that show?

15 A Again, we're on this page?

16 Q Oh, are you looking at --

17 A I just want to make sure I'm where you
18 are.

19 Q Why don't you go back to Eleven. Does
20 that show the number of acres dedicated to the wells is 160
21 acres?

22 A Yes, it does. Yes, that's correct.

23 Q Now let's look at Eleven-A. Does that
24 show the 160-acre proration unit?

25 A Yes, it does.

Q Would you go on to Exhibit Twelve? Do
you have that before you?

A Yes, I do.

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Q I'd like you to look at Exhibit Twelve and Twelve-A together. Can you tell the Examiner what acreage was dedicated to the Blanco Mesaverde portion of this well?

A Yes, that would be the northeast of 25, that being also 160 acres.

Q Okay, and what -- the plat shows 320-acre proration unit here, doesn't it?

A Yes, that is for the Dakota, as this was a dual completion.

Q And now Exhibit Thirteen and Thirteen-A.

A Yes. This is a similar situation with the Bunce Com, showing the northwest of Section 19 as being the dedicated acreage, that again being 160 acres.

Q And the Bunce com is not completed in the Basin Dakota, is that correct?

A It is not. That is correct.

Q And now Exhibit Fourteen and Fourteen-A.

A Again, this is for the Bruce Sullivan Com B No. 1 and it is showing 160 acres dedicated, also. This is in Section 25.

Q And, Mr. Kerr, Exhibit Number Fifteen.

A Yes, this is for the Sullivan Frame Com "B" No. 1, being in Section 30. It shows 160 acres being dedicated in the northeast -- northwest, excuse me.

Q And Sixteen.

A This is for the Sullivan Gas Unit "A" No.

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2 lE and it shows the southwest of Section 25 as being dedi-
3 cated for the Chacra and Mesaverde and again, as this is ac-
4 tually a triple completion, the 320 of the east half of 25
5 is for the Dakota, as far as dedication.

6 Q And finally Exhibit Seventeen.

7 A This is the Sullivan Frame "A" lE and it
8 is dedicated 160 acres for the Chacra-Mesaverde, that being
9 the northeast of Section 30, and again you have a 320-acre
10 dedication for the Dakota.

11 Q Mr. Kerr, were Exhibits One through Seven
12 and Exhibits Twelve through Seventeen prepared from docu-
13 ments in Tenneco's files?

14 A That is correct.

15 Q Mr. Kerr, do you have an opinion that the
16 granting of this application will protect correlative
17 rights, prevent waste, and promote conservation?

18 A It will.

19 MS. AUBREY: Mr. Examiner, I
20 tender Exhibits One through Seventeen.

21 MR. STOGNER: Exhibits One
22 through Seventeen will be admitted into evidence.

23 MS. AUBREY: That concludes my
24 examination of the witness.

25 CROSS EXAMINATION

BY MR. STOGNER:

Q If any or all of these were not approved

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2 today, could it possibly lead to a plug and abandonment of
3 any of these zones?

4 A I am not certain as far as if I would be
5 qualified to -- to answer that. It would certainly lead to
6 a major amount of manpower time attributed to trying to get
7 this taken care of, and I would also foresee a lack of abil-
8 ity to work with these working interest owners on executing
9 new contracts to establish the 320-acre spacing.

10 Q You were approached by the Aztec Office,
11 were you not, to have this reverted from 160-acre to 320, is
12 that right?

13 A Yes, sir.

14 Q Do you have a copy of that letter, or
15 letters?

16 MS. AUBREY: Mr. Examiner, I
17 think I can find that for you.

18 MR. STOGNER: Okay. Could you
19 please submit that as a --

20 MS. AUBREY: Certainly will.

21 MR. STOGNER: For this file.
22 Can we number that Exhibit Num-
23 ber Eighteen?

24 MS. AUBREY: Eighteen?

25 MR. STOGNER: And could you go
over briefly just what this is?

MS. AUBREY: Mr. Kerr, I'm
showing you what has been marked as Exhibit Eighteen. Could

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you refer to that document and explain to the Examiner what it is and what request from the Aztec Division it contains?

A I believe it's just a request for the rededication of the spacing on these particular wells.

MR. STOGNER: From our Aztec Office, the first page?

A I believe so.

Q Okay, and what's the next page? Is that your reply to that letter?

A Yes, sir, it is our Senior Devision Attorney out of Denver.

Q And what is it dated?

A It is dated May 4th of this year.

Q That was addressed to the Aztec District Office of the Division, is that right?

A Yes, sir.

Q What's the third page?

A It is a letter to us again from Ernie Bush, which is the geologist from the Aztec Office, I believe.

Q And what is that letter dated?

A It is dated March 21st of '84.

MR. STOGNER: Ms. Aubrey, is this Exhibit Eighteen?

MS. AUBREY: That's correct, sir.

MR. PEARCE: Let's go off the

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3 (Thereupon a discussion was had off the record.)
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5 MR. PEARCE: For the record,
6 while we were off, it appears that Exhibit Thirteen-A shows
7 that the proration unit for the Bunce Com Well No. 1 is
8 157.1 acres rather than 160. If in fact a subsequent record
9 check discloses that that is the correct acreage for this
10 proration unit, applicant has requested while we were off
11 the record that any order issued in this case provide for an
12 unorthodox proration unit of 157.1 acres, which is in fact
13 the northeast quarter section of Section 19, Township 29
14 North, Range 10 West.

15 I have nothing further at this
16 time, Mr. Examiner.

17 MR. STOGNER: Thank you, Mr.
18 Pearce.

19 Is there any further questions
20 of this witness? Have we accepted the exhibits?

21 MS. AUBREY: I tendered them.

22 MR. STOGNER: Okay, well, we'll
23 accept all Eighteen of them.

24 This witness may be excused.

25 Is there anything further in
Case Number 8282?

MS. AUBREY: No, Mr. Stogner.

MR. STOGNER: If not, this case

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will be taken under advisement.

(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. 8282 heard by me on July 25, 1984.
Michael E. Hooper, Examiner
Oil Conservation Division