

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 22 August 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Petroleum Energy Inc. CASE  
10 for an unorthodox gas well location, 8307  
11 San Juan County, New Mexico.

12  
13 BEFORE: Michael E. Stogner, Examiner

14  
15 TRANSCRIPT OF HEARING

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17 A P P E A R A N C E S

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20 For the Oil Conservation Division: W. Perry Pearce  
21 Attorney at Law  
22 Oil Conservation Commission  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

23 For the Applicant: Ernest L. Padilla  
24 Attorney at Law  
P. O. Box 2523  
25 Santa Fe, New Mexico 87501

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I N D E X

JAY MAGNESS

Direct Examination by Mr. Padilla	3
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E X H I B I T S

Applicant Exhibit One, Application	4
Applicant Exhibit Two, Land Map	5
Applicant Exhibit Three, Seismic Map	6

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3 MR. STOGNER: We'll call Case  
4 Number 8307 at this time.

5 MR. PEARCE: That case is on  
6 the application of Petroleum Energy, Inc. for an unorthodox  
7 gas well location, San Juan County, New Mexico.

8 MR. PADILLA: Mr. Examiner, Er-  
9 nest L. Padilla, Santa Fe, New Mexico, on behalf of the ap-  
10 plicant.

11 I have one witness to be sworn.

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

14 (Witness sworn.)

15 JAY MAGNESS,  
16 being called as a witness and being duly sworn upon his  
17 oath, testified as follows, to-wit:

18 DIRECT EXAMINATION

19 BY MR. PADILLA:

20 Q Mr. Magness, for the record would you  
21 please state your name and where you reside?

22 A Jay Magness, Durango, Colorado.

23 Q Mr. Magness, can you tell us what your  
24 connection to the applicant is?

25 A I'm the Area Manager for Petroleum Ener-

1  
2 gy, Incorporated, the operator of helium and oil wells in  
3 the Shiprock area.

4 Q Are you an officer of Petroleum Energy,  
5 Inc.?

6 A Yes, I'm Vice President in charge of op-  
7 erations for the western area.

8 Q All right. And your testimony here today  
9 is in the capacity of an officer of Petroleum Energy, Inc.,  
10 is that correct?

11 A Yes, sir.

12 Q Are you familiar with the application to-  
13 day and can you tell us what the purpose of the application  
14 is?

15 A The purpose of the application, we -- we  
16 conducted seismic surveys. We own four sections, Sections  
17 27, 28, 33, and 34. We bought seismograph data which cros-  
18 sed through the middle of the four section unit and we pur-  
19 chased some stack shooting, which --

20 Q You're familiar with the information con-  
21 tained in that seismic data?

22 A Yes, I am.

23 MR. PADILLA: Mr. Examiner, are  
24 the witness' qualifications acceptable?

25 MR. STOGNER: He is so quali-  
fied as a practical oil and gas man.

Q Mr. Magness, I show you what we have  
marked as Exhibit Number One and have you tell the Examiner

1  
2 what that is and what it contains.

3 A That was our application for drilling lo-  
4 cation which was presented to the Bureau of Land Management  
5 in Farmington.

6 Q What is --

7 A Permit to Drill, PTD.

8 Q What kind of a well are you proposing to  
9 drill?

10 A Mississippian gas well.

11 Q And is that a wildcat location?

12 A Yes, sir.

13 Q Let me show you what we have marked now  
14 as Exhibit Number Two, and have you tell us what that is.

15 A It's a land map depicting the four sec-  
16 tions that we own.

17 Q Is that the area surrounded by the pink  
18 line?

19 A Yes.

20 Q Now, where is your proration, proposed  
21 proration unit for the well that you're going to be drill-  
22 ing?

23 A The southwest quarter of Section 28.

24 Q Now, can you tell us in general terms how  
25 the -- does that show the location of your proposed well?

A Yes, it does.

Q And how is that unorthodox from the  
standard rules?

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A           The standard location is 790 and this is  
660 from the south line.

Q           So you're unorthodox --

A           I'm unorthodox to the interior.

Q           -- to the south, and you're offsetting  
yourself, is that --

A           Yes, sir.

Q           -- what that exhibit depicts? Let me  
show you what we have marked as Exhibit Number Three and  
tell us what that is.

A           That is a seismic data showing shot  
points that we examined in the geological selection of two  
drilling locations, one in 28 and one in 34.

Q           And is that location based upon that  
seismic data?

A           Yes.

Q           And as a wildcat well that's the best  
place to drill the well?

A           Yes, sir.

Q           Would approval of the application impair  
correlative rights?

A           No. All ownership in the four sections  
is common.

Q           Do you have anything further to add to  
your testimony?

A           No.

MR. PADILLA: Mr. Examiner,

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that's all I have.

We tender Exhibits One, Two, and Three, and we tender the witness for further questioning.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Magness, what type of land is this well proposed to be drilled on?

A What type of land?

Q Yes, sir.

A It's Navajo open reservation.

Q Has the appropriate agency of the Navajo Tribe in Window Rock, Arizona been contacted on this?

A Yes, sir, this has been approved all the way through archaeological, the Forest Service, the BIA, the -- everybody has looked at this location.

Q Forest Service?

A Yes, sir. That's it.

MR. STOGNER: I have no further questions of the witness.

Is there any other questions of Mr. Magness? If not, he may be excused.

Is there anything further in Case Number 8307?

If not, this case will be taken under advisement.

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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 and correct record of the proceedings in the Enforcement Hearing of Case No. 8307 heard by me on 12/19/84.

Richard D. Starn, Examiner  
Oil Conservation Division