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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 10245
REOPENED PURSUANT TO PROVISIONS OF)
THE DIVISION ORDER R-9467A)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner
May 16, 1991
10:45 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on May 16, 1991, at 10:45 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Paula Wegeforth, Certified Court Reporter No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION BY: PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264

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May 16, 1991
Examiner Hearing

CASE NO. 10245

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APPEARANCES

OPENING STATEMENT
By Mr. Kellahin

4

APPLICANT'S WITNESS
JERRY W. HOOVER
Direct Examination by Mr. Kellahin
Examination by Examiner Catanach

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REPORTER'S CERTIFICATE

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* * *
E X H I B I T S

ADMTD

APPLICANT'S EXHIBIT

1 through 4

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
 Attorneys at Law
 BY: W. THOMAS KELLAHIN, ESQ.
 117 North Guadalupe
 Santa Fe, New Mexico 87501

* * *

1 EXAMINER CATANACH: At this time we'll call Case
2 10245.

3 MR. STOVALL: In the matter of Case 10245 being
4 reopened pursuant to the provisions of Division Order
5 No. R-9467A, which order stayed Division Order No. R-9467,
6 dated March 15, 1991, which order in turn created and
7 designated and promulgated special rules and regulations
8 for the Warren-Blinebry-Tubb Oil and Gas Pool located in
9 Township 20 south, Range 38 east, Lea County, New Mexico.

10 EXAMINER CATANACH: Are there appearances in this
11 case?

12 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
13 Santa Fe law firm Kellahin, Kellahin and Aubrey appearing
14 on behalf of Conoco, Inc. I have one witness to be worn.

15 EXAMINER CATANACH: Any other appearances?

16 Will the witness please stand and be sworn?

17 (Whereupon the witness was duly sworn.)

18 MR. KELLAHIN: I'd like to give you a short
19 introduction, Mr. Examiner.

20 EXAMINER CATANACH: I need one.

21 MR. KELLAHIN: My hope and expectation is that this is
22 not as hard as it looks, but we thought that the first time
23 around.

24 Mr. Hoover and I brought this case to first
25 Examiner Stogner and then Examiner Morrow earlier on this

1 year, and the essential project was a cooperative
2 waterflood.

3 The essence of the testimony was that the
4 waterflood project was much more efficient if there was a
5 corresponding creation of a new pool and the termination of
6 what had been formally the Blinebry Pool and the Tubb Pool.
7 We had two different pools involved.

8 In connection with the waterflood there was a
9 need to have a nomenclature case in which we adjusted the
10 pool boundaries and created this new Warren-Tubb Pool to
11 correspondence to the production of the waterflood.

12 Unfortunately, Mr. Hoover and I failed to
13 appreciate the fact that the Tubb production was in a
14 participating area administered by the Bureau of Land
15 Management and to which that production was allocated
16 certain codes. In addition, the Blinebry production had a
17 different participating area, and that production was
18 allocated to different production codes, and so they
19 were -- the BLM was operating under a set of procedures
20 that needed to be adjusted; and our mistake was
21 underestimating the period of time it was going to take us
22 to make those changes with the BLM.

23 When we received the commission orders approving
24 the waterflood and changing the nomenclature and creating
25 an effective date of March 1st, we did not have enough time

1 to change our participating areas with the BLM and have
2 their records recognize the new participating areas and
3 getting our production properly accounted for.

4 Recognizing that, we've asked the director to
5 stay the nomenclature case, giving us an opportunity to
6 coordinate with the division and with the BLM a new
7 effective date for the change. The purpose of the hearing
8 today is that the stay order was issued ex parte without
9 notice, and we wanted to provide a due process proceeding
10 to give anyone an opportunity to come and object. There
11 are no parties here but Conoco.

12 We want to at this point give you a summary of
13 the participating areas as an example and then to ask you
14 to continue the stay and give us an effective date to be
15 the first day of the month following the date that the BLM
16 approves the participation areas, and that way you'll be
17 done with this and hopefully we'll just get it worked out
18 with the BLM.

19 But that's what we're trying to do. This is a
20 recognition that we failed to give ourselves enough time to
21 coordinate the changes. We believe it's necessary to do
22 this in order to satisfy the BLM requirements and to
23 continue on with the base case, which is to make this
24 waterflood an effective and efficient operation.

25 Mr. Hoover has been my witness in this project

1 in the past, and he is my witness today.

2 With that introduction, I'll have him explain
3 some of the specifics to give you an illustration of the
4 problem and then the solution.

5 JERRY W. HOOVER,
6 the Witness herein, having been first duly sworn, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

10 Q. If I might direct your attention, Mr. Hoover,
11 let me have you simply go to Exhibit No. 1. Identify the
12 color code and summarize for the examiner what you're
13 trying to accomplish.

14 A. The area outlined in blue -- the area outlined
15 in blue is the boundary of our expanded
16 Warren-Blinebry-Tubb waterflood. It also has been chosen
17 as the boundary for the newly created Warren-Blinebry-Tubb
18 Pool, and that is the area for which we are currently
19 seeking a new combined formation participating area from
20 the BLM.

21 Now, the area outlined in red is the area that
22 is currently contained in the Blinebry only participating
23 area. The portion of that participating area that falls
24 within this project area is outlined in red.

25 Q. Let's look now at Exhibit No. 2, Mr. Hoover, and

1 identify and describe that exhibit.

2 A. Exhibit 2 has the same blue boundary of the new
3 pool and the project area.

4 The area outlined in pink is that part of the
5 Tubb participating area that currently exists that falls
6 within this project area.

7 Q. Illustrate for us the complications encountered
8 with the Bureau of Land Management when we obtained the
9 nomenclature order that gave us an effective date of
10 March 1st, 1991, for the new pool.

11 A. Yes. Although most of the wells in this part of
12 the Warren unit have been down-hole commingled for several
13 years, the production still was reported separately to
14 these two different participating areas based on the
15 formulas that were set up in the down-hole commingling
16 orders which the OCD issued.

17 And when the nomenclature was going to be
18 changed for the new pool, of course we would no longer be
19 recording production separately, and we could not report
20 that total production to either one of these codes issued
21 by the NMS, which required a new, combined participating
22 area within the project area.

23 Q. In order to create a new, combined participation
24 area, what were the requirements of you by the BLM?

25 A. We simply needed to file an administrative

1 application to the BLM asking for the creation of a new
2 Blinebry-Tubb participating area to be concurrent with the
3 proposed pool boundary. Then we also will have to amend
4 the original Blinebry participating area and the original
5 Tubb participating area to show the deletion of that
6 acreage from those areas.

7 Q. Were you able to accomplish those changes prior
8 to the March 1st, 1991, effective date of the change?

9 A. No, we were not.

10 Q. Have you subsequently met with the Bureau of
11 Land Management concerning the creation of the new
12 participation area?

13 A. Yes, we have. We promptly submitted an
14 application to the BLM for the creation of this new
15 participating area, and we met with them Monday of this
16 week, May 13th, to assist them in evaluating and expediting
17 the creation of this new participating area and the
18 amendment to the two old participating areas.

19 We had a good meeting with them. They agreed
20 with all of our proposals for accomplishing this feat.
21 They were in total agreement with Conoco on the proposed
22 benefits of the expanded waterflood.

23 In essence, our application to them for creation
24 of the new participating area is complete with the
25 exception of a couple of waivers from two interest --

1 working interest owners, which we expect to have very soon.
2 That will complete their file. Then in a matter of a
3 couple of weeks they can issue an administrative approval
4 of that.

5 Q. The BLM process is one that includes an
6 engineering and a geologic as well as a production review
7 by the BLM?

8 A. That's correct.

9 Q. And it's not simply a clerical response to
10 approving a participation area that you might propose?

11 A. That's correct. That's why we took an engineer
12 and discussed the geology aspects with them.

13 Q. What is your request of this examiner concerning
14 an effective date at which to implement the nomenclature
15 changes of the pools?

16 A. In our discussions with the BLM, they were in
17 agreement with our proposal that the state order include
18 stipulation that the effective date for the creation of the
19 pool would be the first day of the month following receipt
20 of BLM approval. That would allow them to coordinate their
21 change in nomenclature with yours.

22 Q. Let me direct your attention now to Exhibit
23 No. 3. Would you identify that for us?

24 And perhaps we might do 3 and 4 together. I
25 think there is some usefulness to looking at both those

1 displays at the same time.

2 A. Yes. Exhibit No. 3 is a letter written to Jerry
3 Sexton in the Hobbs Division I office. When we began to
4 talk with the BLM in the process of setting up the new
5 participating area, it became apparent, as you will notice
6 on Exhibit 4, the area highlighted in green, the 80 acres,
7 that wells No. 90 and No. 11 were uneconomical wells in the
8 Blinebry formation and had not been in the previous
9 Blinebry participating area. They are nonproductive in the
10 Tubb.

11 So -- and they also are, you know, separated far
12 enough from the proposed injection patterns and development
13 that we propose for this unit that they could not be
14 considered an integral part of the expanded waterflood, and
15 so in order to simplify our process of creating this new
16 participating area with the BLM, we talked with Mr. Sexton,
17 who agreed that he could administratively delete that 80
18 acres from the pool so that we could make the boundaries of
19 the pool and the participating area the same.

20 Q. You don't envision any action by this examiner
21 with regard to that 80 acres?

22 A. No, I do not. This is simply to let you know
23 that we've been working with Mr. Sexton in clearing up this
24 minor complication with the BLM.

25 Q. Do you have anything else, Mr. Hoover? Is that

1 it?

2 A. (Witness nodded.)

3 MR. KELLAHIN: We move the introduction of Exhibits 1
4 through 4.

5 (Whereupon Exhibits 1 through 4 were admitted into
6 evidence.)

7 MR. STOVALL: Did we identify Mr. Hoover at the
8 beginning of this? I don't remember if we did or not, or
9 were you relying on his previous testimony?

10 MR. KELLAHIN: It's a reopening of the same case. I
11 was simply relying on the fact that he continues to be a
12 qualifying expert. I will do that if you --

13 MR. STOVALL: I think just identify him, and I don't
14 think -- he's with Conoco, I believe, correct? Is that
15 correct, Mr. Hoover?

16 THE WITNESS: That's correct.

17 MR. STOVALL: And you did testify in the previous
18 case --

19 THE WITNESS: That's correct.

20 MR. STOVALL: -- the previous hearing on this case?

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Mr. Hoover, there's a section -- I'm not sure
24 which one it is -- north of Section 27. I believe it's the
25 south half, south half -- that was not in either

1 participating area.

2 A. That is correct.

3 Q. Does the BLM have any problem with inclusion of
4 that area?

5 A. No, they do not. The Well 70 was not an
6 economical well in the Blinebry. Therefore it was never
7 added to the Blinebry participating area. However, as an
8 integral part of the waterflood pattern, they have no
9 problem in taking it into the new participating area.

10 The new participating area will have a different
11 basis for figuring percentage. In the current Blinebry and
12 Tubb areas the percentage is figured strictly on acreage
13 participation. We're moving to a porosity-feet
14 participation in the new participating area since we added
15 the second formation, and that will account for any open
16 acreage and not give a new credit for anything that's not
17 yet developed.

18 So on that basis they have no problem including
19 in the entire project area.

20 Q. They also have no problem with -- there's some
21 acreage in Section 26. Is that the same --

22 A. That -- yes.

23 Q. Same solution there?

24 A. That's correct. Same situation.

25 Q. Okay.

1 A. That is taken care of by using porosity-feet as
2 a weighting factor for participation.

3 Q. And Jerry Sexton is going to take care of that
4 deletion? We don't have to worry about it?

5 A. That is correct. But I knew these plats would
6 not agree with the ones in the previous hearing, and I
7 wanted you to be aware of that.

8 Q. You anticipate approval from BLM within the next
9 two to three weeks, you think?

10 A. I think so. We might make a June 1st deadline.
11 I'm not sure. But certainly by early in June.

12 EXAMINER CATANACH: That's all I have. Do you have
13 anything?

14 MR. STOVALL: No.

15 EXAMINER CATANACH: Witness may be excused.

16 Anything further in this case?

17 MR. KELLAHIN: No, sir.

18 EXAMINER CATANACH: Case 10245 will be taken under
19 advisement.

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21 (The foregoing hearing was concluded at the
22 approximate hour of 11:00 am.)

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* * *
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10245,
heard by me on May 16 1991.

David L. Catanach, Examiner
Oil Conservation Division

