

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

2 April 1986

DIVISION HEARING

IN THE MATTER OF:

Application of the Oil Conservation Division on its own motion to con- sider establishing six non-stand- ard proration and spacing units, Rio Arriba County, New Mexico.	CASE 8852 & 8853
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BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:	Jeff Taylor Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
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For the Applicant:

1 (Witness sworn.)

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3 MR. TAYLOR: Mr. Examiner, I
4 think for purposes of testimony we would like to move that
5 Cases 8852 and 8853 be consolidated.

6 MR. STOGNER: Okay. We will at
7 this time call for Case Number 8853, which is also the ap-
8 plicaiton of the Oil Conservation Division on its own motion
9 to consider the establishment of six nonstandard proration
10 and spacing units for any and all formations and/or pools
11 developed on 320-acre spacing from the base of the Blanco
12 Mesaverde Pool downward in Sections 5 through 8, 17 through
13 20, and 29 through 32, all in Township 26 North, Range 2
14 West, Rio Arriba County.

15 We will call for appearances in
16 this matter.

17 MR. TAYLOR: Mr. Examiner, my
18 name is Jeff Taylor, Counsel for the Oil Conservation Divi-
19 sion and I have the same witness as in Case 8852.

20 MR. STOGNER: Are there any ap-
21 pearances in this case?

22 Let the record so show that
23 this witness has been sworn.

24 Please continue, Mr. Taylor.
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I N D E X

ERNIE BUSCH

Direct Examination by Mr. Taylor	5
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Recross Examination by Mr. Stogner	13

E X H I B I T S

CASE 8852

Division Exhibit One, Map	6
Division Exhibit Two, Breakdown	6

CASE 8853

Division Exhibit One, Map	7
Division Exhibit Two, Breakdown	7

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MR. STOGNER: This hearing will come to order for Docket No. 11-86. Today is April 2nd, 1986.

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I apologize for the time on the docket saying 8:00 a. m.; however, it was advertised as 8:15 a. m. I appreciate your patience.

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We will begin by calling Case Number 8852, which is the application of the Oil Conservation Division on its own motion to consider establishing six nonstandard proration and spacing units for all formations and/or pools developed on 160-acre spacing from the base of the Blanco Mesaverde Pool downward in Sections 6. 7. 18. 19. 30, and 31, in Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

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Now call for appearances in this matter.

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MR. TAYLOR: May it please the Examiner, my name is Jeff Taylor, Counsel for the Oil Conservation Division.

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I have one witness to be sworn.

MR. STOGNER: Are there any other appearances in this matter?

Will the witness please stand and raise your right hand?

1 ico.

2 Q And do you have exhibits that identify
3 what you wish to do in this case?

4 A Yes, I do.

5 Q And, let's see, you explained to us what
6 you wish in Case 8852. How about 8853?

7 A The formation of twelve nonstandard pro-
8 ration units to include those short sections on the western
9 boundary of Township 26 North, 2 West, for the formation of
10 unit 320-acres for formations deeper than the Mesaverde.

11 Q Are these proposals also shown in the
12 form of an exhibit?

13 A They are.

14 Q And how have you identified that Exhibit?

15 A Exhibit Number One and Number Two for
16 Case 8852 and Exhibit Number One and Number Two for 8853.

17 Q Would you please then identify the exhi-
18 bits and describe what's shown on each of them?

19 A Yes. Exhibit One in Case 8852 is a copy
20 of the latest U. S. Public Survey map for Township 26 North,
21 Range 2 West, Rio Arriba County, New Mexico, with the pro-
22 posed nonstandard proration units outlined in blue and bro-
23 ken down into tracts. The lots have been consolidated for
24 each section into separate tracts, A through F.

25 In Exhibit Number Two of 8852 I have en-

1 ERNIE BUSCH,

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

4
5 DIRECT EXAMINATION

6 BY MR. TAYLOR:

7 Q Would you please state your name, by whom
8 you're employed and in what capacity?

9 A Yes. Ernie Busch, by the New Mexico Oil
10 Conservation Division, District Geologist for District III.

11 Q Mr. Busch, as District Geologist for the
12 Oil Conservation Division in District III, is it one of your
13 duties to study and made recommendations to the Division
14 concerning the establishment of proration units and well lo-
15 cations?

16 A Yes, it is.

17 Q Are you familiar with Cases 8852 and
18 8853?

19 A I am.

20 Q Would you then explain to the Examiner
21 what we are proposing in each of these cases and why?

22 A Mr. Examiner, in Case 8852 and 8853 I'm
23 proposing the formation of -- of nonstandard proration units
24 to include those short sections on the western boundary of
25 Township 26 North, Range 2 West, Rio Arriba County, New Mex-

1 tered those tracts and the amount of acreage of those
2 tracts, the sections that those tracts include, and the de-
3 scription of the acreage in those tracts in Township 26
4 North, Range 2 West.

5 In Case 8853 Exhibit One, this, too, is a
6 copy of the latest United States Public Survey map of Town-
7 ship 26 North, Range 2 West, Rio Arriba County, New Mexico,
8 and showing the formation of 12 nonstandard proration units
9 of 320 acres for formations deeper than the Mesaverde, also
10 broken down into tract A through L.

11 Exhibit Number Two of Case 8853 is also a
12 breakdown of those tracts in acreage, the sections involved,
13 and the description of the acreage in those -- in those
14 tracts.

15 Q So these exhibits show the sections,
16 townshp, ranges, lots, and unit outlines for each of the
17 proposed units in these cases.

18 A Yes, that's correct.

19 Q What are the producing formations in this
20 general area?

21 A In 26, 2, the productive formations at
22 this time are Pictured Cliffs and Mesaverde.

23 There have -- as of this time there have
24 been no wells drilled, or rather producing from formations
25 deeper than the Mesaverde.

1 Q What have you attempted to do in studying
2 these proposed units?

3 A To develop this area in a reasonable and
4 efficient manner, in that these are irregular sections.

5 Q What is the, in Case 8852, the smallest
6 unit that you have --

7 A 8852 --

8 Q -- in acreage.

9 A -- the smallest unit, if you'll refer to
10 Exhibit Number Two, is Tract A. It includes 165.34 acres
11 and encompasses all of Section 6.

12 Q And the largest tract is --

13 A Is shown on Exhibit One -- excuse me, Ex-
14 hibit Two of Case 8853, Tract L with 242.08 acres.

15 Q Mr. Busch, are there currently any pool
16 rules covering this area for the proposed units?

17 A No, there are not.

18 Q Are you proposing any footage locations
19 for the wells within these units?

20 A No, I'm not. At the time pool rules come
21 into effect for the area footage requirements will be in
22 those pool rules at that time.

23 Q Do you have anything further to offer in
24 Cases 8852 or 53?

25 A No, I don't.

1 Q Were Exhibits One and Two in Cases 8852
2 and Exhibits One and Two in 8853 prepared by you or under
3 your supervision and control?

4 A Yes, they were.

5 MR. TAYLOR: Mr. Examiner, I'd
6 like to move the admission of Exhibits One and Two in Case
7 8852 and One and Two in 8853.

8 MR. STOGNER: Exhibits One and
9 Two in Cases 8852 and 8853 will be admitted into evidence at
10 this time.

11 MR. TAYLOR: And that's all we
12 have in these cases, I believe.

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CROSS EXAMINATION

15 BY MR. STOGNER:

16 Q Mr. Busch, where is the Pictured Cliff
17 formation in retrospect (sic) to the Mesaverde formation?

18 A It's higher than the Mesaverde.

19 Q So the 160-acre proration units which
20 you're proposing in Case 8852 would not take in the Pictured
21 Cliffs, is that right?

22 A That's correct.

23 Q What type of acreage is this, Federal,
24 fee, State?

25 A A combination. I'm not really sure, Mr.

1 Examiner, exactly what is where.

2 Q Mr. Busch, are you familiar General Rule
3 1207, Notice of Hearing?

4 A Yes, I am.

5 Q Okay. In there it says that an
6 applicant for nonstandard proration units would contact all
7 interest owners, leasehold owners, in the proposed proration
8 units. Did you do that?

9 A No, I didn't.

10 MR. TAYLOR: Mr. Examiner, I
11 might point out that at least traditionally it has been
12 accepted that the Oil Conservation Division undertakes
13 notice through publication; however, if you wish to impose
14 upon the Division in the future and starting at any point in
15 time the requirement to personally notify everyone, that's
16 your prerogative, certainly.

17 MR. STOGNER: I'll have to
18 check with my legal representative on that.

19 Q Are there any wells presently producing
20 from any of those proration units, Mr. Busch?

21 A No, Mr. Examiner, there aren't.

22 Q Are there any wells proposed to be
23 drilled in these proposed units?

24 A Merrion has indicated that they wish to
25 drill a well in Section 31 of 26 North, 2 West.

1 Q And which proration unit would that be
2 in, K or L of Case 8853?

3 A At this time I'm not certain, Mr. Exam-
4 iner.

5 Q Mr. Busch, how advantageous is this to do
6 this at this time instead of waiting and letting the produ-
7 cers propose a nonstandard proration unit whenever they
8 drill?

9 A In the event that we -- that we do hold
10 off and wait, there are many different philosophies and
11 ideas on how to drill and where to drill.

12 We feel that it's expedient at this time
13 to form these proration units to protect correlative rights
14 and to make sure that the area is reasonably and efficiently
15 developed.

16 MR. STOGNER: I have no ques-
17 tions of this witness.

18 Are there any other questions
19 of Mr. Busch?

20 MR. TAYLOR: I might have a
21 couple more, Mr. Examiner, if I may have a moment.

22
23 REDIRECT EXAMINATION

24 BY MR. TAYLOR:

25 Q Mr. Busch, have you in connection with

1 these proposed proration units talked to the operators in
2 the area and gotten their views in this matter?

3 A Yes, I have.

4 Q And could you tell us how you did that or
5 what their views are?

6 A By telecom for the most part, and it was
7 my feeling from those conversations that they were inter-
8 ested in seeing some proration unit nonstandard -- or prora-
9 tion units, excuse me, formed in the area to address those
10 short sections.

11 Q And has there been any discussions in
12 trying to work out a compromise or work out a solution be-
13 tween all the operators and the OCD as to these proposals?

14 A Oh, yes, indeed. I had initially pro-
15 posed in Case 8853, Exhibit One, if you will, Mr. Examiner,
16 to make Tract A, Lots 3 and 4 in the south half of the
17 northwest quarter of Section 5, the southwest quarter of
18 Section 5, and all of Section 6, into one tract. After hav-
19 ing talked to some of the operators, I felt that -- that
20 this may be a better solution.

21 Q Thank you. Will the creation of the pro-
22 ration units as proposed in Cases 8852 and 8853 prevent
23 waste and protect correlative rights?

24 A Yes.

25 Q Do you have anything further to add to

1 your testimony?

2 A Well, in terms of preventing waste, a
3 well might not be drilled in the short section because of
4 the reduced allowable that it would receive.

5 Q Is that all you have?

6 A That's all.

7 MR. TAYLOR: That's all we
8 have, Mr. Examiner.

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10 RE CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q When you said you talked to operators,
13 how many and which ones did you talk to?

14 A I talked to Merrion Oil & Gas Company.
15 They approached me about the proposal application. They
16 have some acreage up in this -- up in this area.

17 I also talked to Dugan Production. Oh,
18 specifically for Merrion I talked to Steve Dunn. And for --
19 and with Dugan I talked to John Roe.

20 In the case coming up, 8854, I talked to
21 quite a few operators and I'm not sure at this time, Mr. Ex-
22 aminer, if I addressed this area with the same operators.

23 Q But who, in this particular area here,
24 who is the biggest leasehold operator, lease owner?

25 A I don't know. This area is virtually un-

1 developed in terms of formations deeper than the Mesaverde,
2 Mr. Examiner. This is an area that is just north of the
3 Gavilan and east of the Ojito Gallup Dakota Pools.

4 MR. STOGNER: I have no further
5 questions of this witness.

6 Are there any questions of Mr.
7 Busch at this time?

8 There being none, he may be ex-
9 cused.

10 Mr. Taylor, do you have any-
11 thing further in either Case 8852 Or 8853?

12 MR. TAYLOR: No, sir.

13 MR. STOGNER: Does anybody else
14 have anything in either case?

15 This case will be taken --
16 these cases will be taken under advisement.

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18 (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 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 and correct transcript of the hearing held on the 7th of April 1986 at Los Angeles in hearing No. 8852 + 8853
Michael J. Smith, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 2, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
E. O'ang	OCD	Ogden
W. Penny Pearce	Montgomery & Andrews, P.A.	Santa Fe
W. B. McCoy	Smith & Spence Co.	Santa Fe
W. L. Kelbhorn	Kelbhorn + Kelbhorn	Santa Fe
Ernie Busch	OCD	Aztec
Alvin Emswiler	Mesa Grande Resource Co.	Tulsa, OK
Bob Fisher	Byrnes	Santa Fe
Paul H. Burchell	El Paso Natural Gas Co.	El Paso, TX
Gen L. Padilla	Padilla + Snyder	SF
James Dunning	Spinning & Phisby	Roswell
Ray Westall	Loco Hydro Water Disp	Loco Hills
John Cunningham	J. C. UELL	Farmington
William L. Jan	Tampieri and State, A.	Santa Fe
Kecia Quehney	Keel + Kelbhorn	Santa Fe
Walt Veck	Marathon Oil Co.	Midland, TX
Jeffrey L. Pletcher	Marathon Oil Co.	Midland, TX

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 2, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Chad Dickerson Paul Bliss	Bliss Pet Inc Bliss Pet Inc	Hobbs Hobbs

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

19 March 1986

DIVISION HEARING

IN THE MATTER OF:

Disposition of cases called on
Docket No. 10-86 for which no tes-
timony was presented.

CASE 8852
8853, 8854,
8839, 8855,
8773, 8798,
8806, 8856,
8857.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

Case Number 8852, Continued	3
Case Number 8853, Continued	3
Case Number 8854, Continued	3
Case Number 8839, Continued	3
Case Number 8855, Continued	4
Case Number 8773, Continued	4
Case Number 8798, Taken under advisement	5
Case Number 8806, Dismissed	6
Case Number 8856, Dismissed	6
Case Number 8857, Dismissed	7

1
2 MR. CATANACH: The hearing will
3 come to order this morning for Docket No. 10-86.

4 We will call Case 8852.

5 MR. TAYLOR: The application of
6 the Oil Conservation Division on its own motion to consider
7 establishing six nonstandard proration and spacing units for
8 all formations and/or pools developed on 160-acre spacing
9 from the base of the Blanco-Mesaverde Pool downward in
10 Sections 6, 7, 18, 19, 30, and 31, Township 26 North, Range
11 2 West, Rio Arriba County.

12 Mr. Examiner, I would like to
13 request that this case and also Cases 8853 and 8854 be con-
14 tinued.

15 MR. CATANACH: Cases 8852,
16 8853, and 8854 will be continued to the April 2nd, 1986
17 hearing.

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21 MR. CATANACH: Call next Case
22 Number 8839.

23 MR. TAYLOR: The application of
24 Jeromes P. McHugh for exceptions to the special pool rules
25 for Gavilan-Mancos Oil Pool as promulgated by Division Order

1 No. R-7407, Rio Arriba County, New Mexico.

2 The applicant has requested
3 that this case be continued.

4 MR. CATANACH: Case 8839 will
5 be continued to April 16th, 1986.

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9 MR. CATANACH: Call next Case
10 Number 8855.

11 MR. TAYLOR: The application of
12 Loco Hills Water Disposal Company for an oil treating plant
13 permit, Eddy County, New Mexico.

14 The applicant has requested
15 that this case be continued.

16 MR. CATANACH: Case 8855 will
17 be continued to the April 2nd, 1986 docket.

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21 MR. CATANACH: Call next Case
22 8773.

23 MR. TAYLOR: The application of
24 Bliss Petroleum, Inc. for an unorthodox gas well location,
25 Lea County, New Mexico.

1 The applicant has requested
2 that this case be continued.

3 MR. CATANACH: Case 8773 will
4 be continued to the April 2nd, 1986, docket.

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8 MR. CATANACH: Call next Case
9 8798.

10 MR. TAYLOR: Application of
11 Amerind Oil Company for contraction of the horizontal limits
12 of the Casey-Strawn Pool, pool creation, special pool rules,
13 and assignment of a discovery allowable, Lea County, New
14 Mexico.

15 MR. CATANACH: This case was
16 heard on January 9th, 1986, and the original advertisement
17 for this case did not contain the request for a discovery
18 allowable for the well.

19 Is there any further testimony
20 on it at this time?

21 If not --

22 MR. BRUCE: Mr. Examiner, my
23 name is Jim Bruce from the Hinkle Law Firm in Santa Fe, rep-
24 resenting Amerind.

25 There is no further testimony

1 and we request the approval of the discovery allowable base
2 upon the evidence in the prior hearing.

3 MR. CATANACH: Thank you, Mr.
4 Bruce.

5 Case 8798 will be taken under
6 advisement.

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10 MR. CATANACH: Call next Case
11 Number 8806.

12 MR. TAYLOR: Application of
13 Coquina Oil Corporation for salt water disposal, Eddy
14 County, New Mexico.

15 The applicant has requested
16 that this case be dismissed.

17 MR. CATANACH: Case 8806 is
18 dismissed.

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22 MR. CATANACH: Call next Case
23 8856.

24 MR. TAYLOR: Application of
25 Robert N. Enfield for compulsory pooling, Eddy County, New

1 Mexico.

2 The applicant has requested
3 that this case be dismissed.

4 MR. CATANACH: Case 8856 is
5 dismissed.

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9 MR. CATANACH: Call next Case
10 Number 8857.

11 MR. TAYLOR: Application of
12 Inexco Oil Company for compulsory pooling and an unorthodox
13 well location, Lea County, New Mexico.

14 The applicant has requested
15 that this case be dismissed.

16 MR. CATANACH: Case 8857 is
17 dismissed.

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(Hearings 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 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.

I do hereby certify that the foregoing is a complete and correct copy of the transcript in the Examiner's hearing of _____ heard by me on March 19 1986.

David R. Catamb, Examiner
Oil Conservation Division