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 consider establishing six non-standard proration and spacing units, Rio Arriba County, New Mexico.	CASE 8852 & 8853

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

For the Applicant:

I N D E X

E X H I B I T S

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

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.

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.

Now call for appearances in this matter.

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

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?

(Witness sworn.)

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

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

We will call for appearances in this matter.

MR. TAYLOR: Mr. Examiner, my name is Jeff Taylor, Counsel for the Oil Conservation Division and I have the same witness as in Case 8852.

MR. STOGNER: Are there any appearances in this case?

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

Please continue, Mr. Taylor.

ERNIE BUSCH,

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

DIRECT EXAMINATION

BY MR. TAYLOR:

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

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

Q Mr. Busch, as District Geologist for the Oil Conservation Division in District III, is it one of your duties to study and made recommendations to the Division concerning the establishment of proration units and well locations?

A Yes, it is.

Q Are you familiar with Cases 8852 and 8853?

A I am.

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

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

ico.

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

A Yes, I do.

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

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

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

A They are.

Q And how have you identified that Exhibit?

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

Q Would you please then identify the exhibits and describe what's shown on each of them?

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

In Exhibit Number Two of 8852 I have en-

tered those tracts and the amount of acreage of those tracts, the sections that those tracts include, and the description of the acreage in those tracts in Township 26 North, Range 2 West.

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

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

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

A Yes, that's correct.

Q What are the producing formations in this general area?

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

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

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

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

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

A 8852 --

Q -- in acreage.

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

Q And the largest tract is --

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

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

A No, there are not.

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

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

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

A No, I don't.

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

A Yes, they were.

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

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

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

CROSS EXAMINATION

BY MR. STOGNER:

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

A It's higher than the Mesaverde.

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

A That's correct.

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

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

Examiner, exactly what is where.

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

A Yes, I am.

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

A No, I didn't.

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

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

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

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

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

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

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

A At this time I'm not certain, Mr. Examiner.

Q Mr. Busch, how advantageous is this to do this at this time instead of waiting and letting the producers propose a nonstandard proration unit whenever they drill?

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

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

MR. STOGNER: I have no questions of this witness.

Are there any other questions of Mr. Busch?

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

REDIRECT EXAMINATION

BY MR. TAYLOR:

Q Mr. Busch, have you in connection with

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

A Yes, I have.

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

A By telecom for the most part, and it was my feeling from those conversations that they were interested in seeing some proration unit nonstandard -- or proration units, excuse me, formed in the area to address those short sections.

Q And has there been any discussions in trying to work out a compromise or work out a solution between all the operators and the OCD as to these proposals?

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

Q Thank you. Will the creation of the proration units as proposed in Cases 8852 and 8853 prevent waste and protect correlative rights?

A Yes.

Q Do you have anything further to add to

your testimony?

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

Q Is that all you have?

A That's all.

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

RECROSS EXAMINATION

BY MR. STOGNER:

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

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

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

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

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

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

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

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

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

There being none, he may be excused.

Mr. Taylor, do you have anything further in either Case 8852 Or 8853?

MR. TAYLOR: No, sir.

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

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

(Hearing concluded.)

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. 8852 & 8853 heard by me on 2 April 1986.

Examiner
Oil Conservation Division

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 testimony 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:

I N D E X

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

We will call Case 8852.

MR. TAYLOR: 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, Township 26 North, Range 2 West, Rio Arriba County.

Mr. Examiner, I would like to request that this case and also Cases 8853 and 8854 be continued.

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

MR. CATANACH: Call next Case Number 8839.

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

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

The applicant has requested that this case be continued.

MR. CATANACH: Case 8773 will be continued to April 16th, 1986.

MR. CATANACH: Call next Case Number 8855.

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

The applicant has requested that this case be continued.

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

MR. CATANACH: Call next Case 8773.

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

The applicant has requested that this case be continued.

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

MR. CATANACH: Call next Case 8798.

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

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

Is there any further testimony on it at this time?

If not --

MR. BRUCE: Mr. Examiner, my name is Jim Bruce from the Hinkle Law Firm in Santa Fe, representing Amerind.

There is no further testimony

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

MR. CATANACH: Thank you, Mr. Bruce.

Case 8798 will be taken under advisement.

MR. CATANACH: Call next Case Number 8806.

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

The applicant has requested that this case be dismissed.

MR. CATANACH: Case 8806 is dismissed.

MR. CATANACH: Call next Case 8856.

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

Mexico.

The applicant has requested that this case be dismissed.

MR. CATANACH: Case 8856 is dismissed.

MR. CATANACH: Call next Case Number 8857.

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

The applicant has requested that this case be dismissed.

MR. CATANACH: Case 8857 is dismissed.

(Hearings concluded.)

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.

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heard by me on March 19
David R. Catanach, Examine
Oil Conservation Division