

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. 10950

APPLICATION OF SAMEDAN OIL CORPORATION  
-----

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: Michael E. Stogner, Hearing Examiner

March 31, 1994

Santa Fe, New Mexico

This matter came on for hearing before the  
Oil Conservation Division on March 31, 1994, at  
Morgan Hall, State Land Office Building, 310 Old  
Santa Fe Trail, Santa Fe, New Mexico, before Deborah  
O'Bine, RPR, Certified Court Reporter No. 63, for the  
State of New Mexico.

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## I N D E X

March 31, 1994  
 Examiner Hearing  
 CASE NO. 10950

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## A P P E A R A N C E S

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

FOR THE APPLICANT: KAREN AUBREY  
 Attorney at Law  
 236 Montezuma  
 Santa Fe, New Mexico 87501

CUMBRE COURT REPORTING

P.O. Box 9262

Santa Fe, New Mexico 85704-9262

(505) 984-2244 FAX: 984-2092

1 EXAMINER STOGNER: At this time, I'll call  
2 Case No. 10950, which is the application of Samedan  
3 Oil Corporation for pool reclassification, pool  
4 expansion, the promulgation of special pool rules,  
5 the further amendment of Division Order No. R-5353,  
6 and two nonstandard gas proration units, and two  
7 unorthodox gas well locations, all in Lea County, New  
8 Mexico.

9 At this time I'll call for appearances.

10 MS. AUBREY: Karen Aubrey, appearing for  
11 the applicant.

12 EXAMINER STOGNER: Any other appearances?

13 EXAMINER STOGNER: Do you have any  
14 witnesses, Miss Aubrey?

15 MS. AUBREY: I have two witnesses to be  
16 sworn.

17 EXAMINER STOGNER: Will the witnesses  
18 please stand to be sworn? Has one of these witnesses  
19 been sworn in the previous case?

20 MS. AUBREY: Yes. Mr. Smith was sworn in  
21 the case you just heard.

22 EXAMINER STOGNER: Let the record show  
23 that Mr. Smith has been previously sworn. He won't  
24 have to stand at this time. And we'll swear in the  
25 witness in this matter.

1 (Witness sworn.)

2 EXAMINER STOGNER: Miss Aubrey.

3 MS. AUBREY: Thank you. Mr. Stogner,  
4 before we begin with the witnesses, one of the  
5 requests of Samedan in the application was for the  
6 expansion of the Cline-Tubb Pool. At the hearing on  
7 the 17th of March, the Division entered an order  
8 expanding the Cline-Tubb Pool in the same area as the  
9 one contained in Samedan's application today. So  
10 there won't be any -- we don't propose to put on any  
11 testimony on that point. The order is Order R-10091,  
12 and that order is dated March 28, 1994.

13 I have a copy of it if you would like me  
14 to mark it as an exhibit in this case, or would you  
15 like to just take notice of it?

16 EXAMINER STOGNER: That was a regular  
17 nomenclature case, was it not?

18 MS. AUBREY: That's right.

19 EXAMINER STOGNER: No, I'll just take  
20 administrative notice of that. That was done at the  
21 March 17th hearing?

22 MS. AUBREY: Yes. The hearing was March  
23 17. The Order is dated March 28.

24 EXAMINER STOGNER: Okay. I was the  
25 witness at that particular nomenclature case. I'll

1 take administrative notice of it.

2 You may continue.

3 MS. AUBREY: Thank you. We'll call David  
4 Smith.

5 DAVID SMITH,  
6 the witness herein, after having been first duly  
7 sworn upon his oath, was examined and testified as  
8 follows:

9 EXAMINATION

10 BY MS. AUBREY:

11 Q. Would you state your name, occupation, and  
12 by whom you're employed?

13 A. Yes. My name is David D. Smith. I am a  
14 petroleum landman employed by Samedan Oil  
15 Corporation.

16 Q. Have you testified previously before the  
17 New Mexico Oil Conservation Division and had your  
18 qualifications made a matter of record?

19 A. Yes, I have, in the prior case.

20 MS. AUBREY: Mr. Stogner, I tender Mr.  
21 Smith as an expert in petroleum land titles.

22 EXAMINER STOGNER: Mr. Smith is so  
23 qualified, and we'll make record of his  
24 qualifications in the previous case, 10949.

25 Q. (BY MS. AUBREY) Mr. Smith, are you

1 familiar with the application of Samedan that's being  
2 heard in this case today?

3 A. Yes, I am.

4 Q. Do the lands involved in this case come  
5 under your area of work at Samedan?

6 A. Yes, it does.

7 Q. Can you state briefly what Samedan seeks  
8 by its application?

9 A. We are seeking a redesignation of the  
10 Cline-Tubb Pool as an associated oil and gas pool.  
11 We're asking for approval of two unorthodox  
12 locations, approval of two nonstandard proration  
13 units. We're asking that any well drilled at a  
14 standard oil well location that turns out to be a gas  
15 well be deemed as a standard location. We're asking  
16 that the order be made retroactive to the date of  
17 initial production, which is September 1, 1993.

18 Q. And that would be the date of initial  
19 production of the Sarah "B" No. 2?

20 A. Correct.

21 Q. Can you briefly explain what the problems  
22 were that Samedan encountered with its well that led  
23 to the filing of this application?

24 A. We were developing the area as an oil  
25 pool. On our third well, we experienced a well that

1 had an increasing GOR as we produced it. We drilled  
2 our fourth well in the proximity that looks the same  
3 as the well with the high GOR. And we're currently  
4 drilling our fifth well. We really thought we were  
5 going for oil and finding out we're having a lot of  
6 gas in a couple of these wells.

7 Q. Have you found any way to predict in  
8 advance of drilling a well whether the well will be a  
9 gas well or an oil well?

10 A. No, we have not.

11 Q. Let me have you refer to Exhibit No. 1,  
12 which is an area map. Can you point out the proposed  
13 pool boundaries, the expanded pool boundaries that  
14 Samedan is seeking on this map?

15 A. Yes. Exhibit 1 is a map of the expanded  
16 Cline-Tubb Pool. The black hachured outline reflects  
17 the expanded boundaries of the pool. This is a  
18 Midland base map. A scale of 1 inch = 4,000 feet.  
19 Let's see, the 1 inch = 3,000 feet, and it reflects  
20 all the wells that are currently situated within the  
21 boundaries of the unit, plus it reflects a blue  
22 outline showing the one-mile radius around the  
23 expanded Cline-Tubb Pool.

24 Q. What is the present limit of the  
25 Cline-Tubb Pool?



1           A.    It's presently the southeast quarter of  
2 Section -- well, no, it's been expanded as of this  
3 order on the 28th. So the present limits are exactly  
4 as you see shown here.

5           Q.    So when the application was filed, it was  
6 the southeast quarter of Section 11?

7           A.    That is correct.

8           Q.    Can you review -- from this map, can you  
9 review Samedan's ownership interest in the acreage?

10          A.    Yes. Samedan owns essentially all lands  
11 within the Cline-Tubb Pool with the exception of the  
12 north half southeast of 11, which is owned by Kelton  
13 Operating Company, and also the southwest of the  
14 northwest of Section 12, which is owned by Chuza  
15 Operating. All the lands within the pool are  
16 controlled by Samedan Oil Corporation.

17          Q.    Let me have you look at Exhibit No. 2.  
18 Exhibit No. 2 contains your affidavit regarding  
19 mailing of notice of this hearing; is that correct?

20          A.    That is correct.

21          Q.    And it also contains a list that you have  
22 prepared of the operators of wells within the  
23 proposed pool boundaries and within one mile of those  
24 boundaries; is that right?

25          A.    That is correct.

1 Q. And photocopies of the United States post  
2 office returned receipts; is that correct?

3 A. Yes.

4 Q. I notice that there's a returned receipt  
5 in here for Meridian Oil. Does Meridian in fact have  
6 acreage within the one-mile boundary, and were they  
7 entitled to receive notice of this case?

8 A. They have acreage but no well.

9 Q. Are you aware that the Division has  
10 received letters from two operators, Kelton and Chuza  
11 Operating, in basic support of Samedan's application  
12 in this case?

13 A. Yes.

14 Q. Are you aware of any objections that have  
15 been registered by any operators or unleased mineral  
16 owners to this case?

17 A. No, I'm not.

18 Q. Are there any unleased mineral owners  
19 within the proposed pool boundaries?

20 A. There are none.

21 Q. In your opinion, Mr. Smith, was notice  
22 properly given under the notice requirements of the  
23 New Mexico Oil Conservation Division rules regarding  
24 special pool rules and changes in sizes of pools?

25 A. Yes, notice was properly given.

1 Q. Can you describe briefly for Mr. Stogner  
2 what you did to ascertain the names and addresses of  
3 the parties entitled to notice?

4 A. We searched the records of Lea County, New  
5 Mexico. We also got into the production records of  
6 the State of New Mexico to determine where current  
7 active wells were.

8 Q. Were Exhibits 1 and 2 prepared by you or  
9 under your supervision and direction?

10 A. Yes, they were.

11 MS. AUBREY: I offer Exhibits 1 and 2.

12 EXAMINER STOGNER: Exhibits 1 and 2 will  
13 be admitted into evidence.

14 MS. AUBREY: That concludes my examination  
15 of Mr. Smith at this time.

16 EXAMINATION

17 BY EXAMINER STOGNER:

18 Q. Mr. Smith, were you aware of any other  
19 Tubb pools within the blue or one-mile boundary of  
20 this particular pool?

21 A. I believe that there may be some Tubb  
22 pools in the northeastern portion of this one-mile  
23 boundary. We did not see any Tubb producers, though,  
24 within our one-mile outline.

25 Q. When you say Tubb producers, current Tubb

1 producers?

2 A. Current Tubb producers. The closest Tubb  
3 producer we saw was in the north half of Section 36.

4 Q. And that's the Section 36 that's just on  
5 the far upper portion of your map?

6 A. That is correct. That would be in  
7 Township 22 South, Range 37 East.

8 Q. As far as the pool boundaries go for the  
9 Cline-Tubb, the present pool boundaries, is that all  
10 federal minerals at this time?

11 A. It is predominantly federal. There is  
12 some fee lands out here. The southwest quarter of  
13 Section 1 is federal. The northwest quarter of  
14 Section 12 is all fee. The southwest of 12 is  
15 federal. The north half of the southeast of 11 is  
16 fee. And the south half of the southeast is federal.

17 Q. Was the royalty interest in this pool  
18 notified, or if they weren't, do you want to give a  
19 reason why?

20 A. The royalty interest owners were not  
21 notified, to my knowledge.

22 Q. And do you have any reason why you did not  
23 notify them or include them?

24 A. We were not instructed to notify. They're  
25 all on their lease, and there are no unleased owners

1 out there.

2 MS. AUBREY: There are no unreleased  
3 interests, Mr. Stogner, in the horizontal --

4 EXAMINER STOGNER: I'm referring to Rule  
5 1207(A)(7), in which application for adoption of  
6 special pool rules -- I'm assuming that's what you're  
7 referring to when there was no unreleased mineral  
8 interest. And under those Rules, then unreleased  
9 mineral interests would be notified, but since there  
10 wasn't any, they weren't?

11 THE WITNESS: Correct.

12 EXAMINER STOGNER: I don't have any other  
13 questions as far as land issues or notifications at  
14 this time. I might later on. So he may be excused.

15 Do you have any questions? Okay, you may  
16 be excused.

17 JOE D. RAMEY,  
18 the witness herein, after having been first duly  
19 sworn upon his oath, was examined and testified as  
20 follows:

21 EXAMINATION

22 BY MS. AUBREY:

23 Q. Would you state your name, occupation, and  
24 place of residence?

25 A. Joe D. Ramey. I'm a consultant, and I

1 live in Albuquerque, New Mexico.

2 Q. Are you appearing on behalf of Samedan Oil  
3 Corporation today?

4 A. Yes. I've been retained by Samedan for  
5 this case.

6 Q. Are you familiar with the application  
7 filed by Samedan in this case?

8 A. Yes, I am.

9 Q. Have you testified previously before the  
10 New Mexico Oil Conservation Division and had your  
11 qualifications made a matter of record?

12 A. Yes, I have.

13 MS. AUBREY: Mr. Stogner, I tender Mr.  
14 Ramey as an expert witness.

15 EXAMINER STOGNER: Mr. Ramey is so  
16 qualified.

17 Q. (BY MS. AUBREY) Mr. Ramey, you've  
18 prepared certain exhibits for the consideration of  
19 the examiner today?

20 A. Yes, I have.

21 Q. Let me have you refer to Exhibit No. 3,  
22 which is a structure map. Did you prepare this  
23 exhibit, or did you receive it from Samedan's  
24 geologist?

25 A. The exhibit was prepared by a W.A. Yanko,

1 who is a geologist with Samedan. I have checked  
2 various tops within the areas of Sections 1, 11, and  
3 12, or 6, 11, and 12. My exhibit doesn't have a --

4 Q. Mr. Ramey, the larger version of your  
5 exhibit is here on the board behind you.

6 A. Okay. Sections 1, 11, and 12. I have  
7 checked tops on that, and I didn't find any  
8 discrepancies on the tops. And so I'm satisfied that  
9 this is an accurate depiction of the geology, the  
10 Tubb in the area.

11 Q. Does this depict the Tubb oil gas pool or  
12 Cline-Tubb Pool?

13 A. It's primarily the Cline-Tubb, but the  
14 Tubb gas pool is to the north and east of the Cline-  
15 Tubb, but the little individual structure you see  
16 that covers primarily Sections 11 and 12 is the  
17 Cline-Tubb Pool area.

18 We have closure there of about 75 feet.  
19 It's an individual structure. There are -- we have a  
20 dry hole in this area (indicated) in Section 2.  
21 There's a dry hole over in Section 6. There's a dry  
22 hole down in Section 13, which, in my opinion, tend  
23 to separate the pool from the main Tubb oil and gas  
24 pool structure.

25 Q. So, in your opinion, is the Cline-Tubb

1 Pool a separate and distinct pool from the pool?

2 A. Yes, in my opinion, it is.

3 Q. What is the area outlined in yellow on the  
4 large version of Exhibit 3?

5 A. That depicts Samedan's acreage holdings in  
6 this immediate area.

7 Q. And there is a red hatched area on that  
8 exhibit. What does that depict?

9 A. That's the southeast quarter of Section  
10 11, which was the original pool boundary when I  
11 prepared the exhibit. It has since been extended to  
12 include the west half of 12 in the southwest quarter  
13 of Section 1.

14 Q. Do you agree with the interpretations that  
15 are shown, as well as the data, the interpretations  
16 that are shown on the map by the Samedan geologist?

17 A. Yes. I can find no fault with it. Had I  
18 prepared it, there might be minor changes in it, but  
19 I think in general, why, I would agree with the  
20 interpretation by Mr. Yanko.

21 Q. The Linebery No. 2, which is a  
22 Kelton-operated well, is the initial well in the  
23 Cline-Tubb; is that correct?

24 A. That is correct, yes.

25 Q. And is that an oil well or a gas well?



1 A. It's a depleted oil well.

2 Q. Can you locate that well on Exhibit 3 for  
3 the examiner?

4 A. It's in Unit J of Section 11, which would  
5 be the northeast of the southwest of Section 11.  
6 It's the well with the temporarily abandoned symbol  
7 on it, No. 2, in Section 11.

8 Q. Is that well an oil well or a gas well?

9 A. It is an oil well.

10 Q. And the Sarah "B" No. 2 is a Samedan-  
11 operated well; is that correct?

12 A. Yes, it is.

13 Q. Where is it located?

14 A. That well is in the northeast of the  
15 southwest of Section 12.

16 Q. And is that an oil well or a gas well?

17 A. It is presently classified as an oil well,  
18 but under the associated pool rules, it would most  
19 definitely be a gas well. That well has a gas-oil  
20 ratio on the last test of 92,818 cubic feet per  
21 barrel.

22 Q. Have you reviewed data which shows what  
23 the gas-oil ratio of the Linebery No. 2 was?

24 A. The Linebery 2, that well had a cumulative  
25 production of 9,940 barrels and 51.2 MMcf, which just

1 averaging those two figures, would give you a gas-oil  
2 ratio of 5151.

3 Q. Is it your opinion that the Linebery No. 2  
4 and the Sarah "B" No. 2 are perforated in the same  
5 interval?

6 A. Yes. The Sarah "B" 2 is certainly  
7 perforated within the same interval that is  
8 perforated in the Linebery No. 2.

9 Q. On Exhibit 3 there is a rig symbol in the  
10 west half of the southwest of 12. Do you know what  
11 that represents?

12 A. That is the location of the Branex Well  
13 No. 1, and that well is presently drilling.

14 Q. There's a rig presently on that location;  
15 is that correct?

16 A. Yes.

17 Q. In terms of structure, which is the higher  
18 well, the Linebery No. 2 or the Sarah "B" No. 2?

19 A. The Linebery No. 2 is 11 feet higher  
20 structurally than the Sarah "B" No. 2.

21 Q. What conclusion do you draw from that fact  
22 regarding whether or not this pool should be  
23 classified as an associated pool?

24 A. I don't think we have the presence of a  
25 gas cap. There is probably some kind of stratigraphy

1 involved there that caused the Sarah "B" 2 to be a  
2 gas well, but if it's just dependent on structure,  
3 then the Linebery No. 2 should be the gas well and  
4 the Sarah "B" ought to be the oil well, but it's the  
5 other way around.

6 Q. Is Samedan requesting a specific finding  
7 in the order that issues from this case that the  
8 Cline-Tubb is a separate pool?

9 A. Yes.

10 Q. Are there any other comments you want to  
11 make about Exhibit 3?

12 A. Not at this time, no.

13 Q. Let me have you look at your Exhibit No.  
14 4.

15 A. This is just a plat of the area that shows  
16 the wells within the Cline-Tubb and even one well  
17 outside the Cline-Tubb that have penetrated the Tubb  
18 formation.

19 Q. Does this exhibit show the present and  
20 proposed proration units for the wells on the plat?

21 A. Yes, it does.

22 Q. Why don't we start with the Sarah "B" No.  
23 1, and if you could, would you review for the  
24 examiner what the status of that well, whether it's  
25 an oil well or a gas well, what its present proration

1 unit is, and give the production information that you  
2 have?

3 A. The Sarah "B" No. 1 is located in the  
4 southeast of the southeast of Section 11. It is the  
5 well with the red, 40-acre tract outlined. That well  
6 tested for 13 barrels of oil, 19 Mcf of gas, 27  
7 barrels of water. The GOR was 1462 on that well.  
8 It's an oil well and will have 40 acres dedicated to  
9 it.

10 Q. Is that a Samedan-operated well?

11 A. Yes, that is a Samedan well. Do you want  
12 me to proceed?

13 Q. Why don't you proceed across the plat?

14 A. Okay. We'll next go to the southwest of  
15 the southwest of Section 1 for the Sarah "B" No. 3.  
16 That is also an oil well. It is outlined in kind of  
17 a yellowish orange. That well tested for 9 barrels  
18 of oil, 80 Mcf of gas, and 8 barrels of water. The  
19 gas-oil ratio was 88, 89. It too will have a 40-acre  
20 dedication.

21 The Sarah "B" No. 2, which is located in  
22 the northeast of the southwest of Section 12, that  
23 well under the associated rules would definitely be a  
24 gas well. We are requesting that the east half of  
25 the southwest quarter be dedicated to that well.

1           And the well is also 177 feet too close to  
2 the west and 330 feet too close to the north line.  
3 And so we are requesting an unorthodox gas well  
4 location for that well.

5           Q.    The Sarah "B" No. 2 is unorthodox because  
6 it was drilled as an oil well?

7           A.    Yes, that's right. It's an orthodox oil  
8 well location, but it would be an unorthodox gas well  
9 location.

10           The Sharp "B" No. 1, which is in the  
11 southeast of the northwest of Section 12, was drilled  
12 as an oil well. This well was tested six days and  
13 then shut in and is presently waiting on a gas well  
14 connection.

15           The most reliable test that I could  
16 determine was that the well made 18 barrels of oil,  
17 399 Mcf of gas, and 45 barrels of water. The gas-oil  
18 ratio was 22,167 after six days of testing. I am  
19 convinced that this well will be a gas well after a  
20 few more days of production, probably.

21           The Sarah "B" 2, the original test on that  
22 well indicated gas-oil ratios in the neighborhood of  
23 3,000 to 4,000 cubic feet per barrel, but after 30  
24 days of testing, it had increased to over 30,000, and  
25 it is now something over or approaching 100,000.

1 Q. On the Sharp No. 1, what proration unit is  
2 Samedan seeking approval for?

3 A. They will -- if the well does as expected,  
4 turn to a gas well, we would like to have the east  
5 half of the northwest quarter of Section 12 dedicated  
6 to that well. The well is at a standard location for  
7 a gas well.

8 Did I give you production figures off the  
9 Sarah "B" No. 2?

10 EXAMINER STOGNER: I believe you did.

11 THE WITNESS: Okay. Thank you.

12 There are other wells off of Samedan's  
13 property. There are four other wells, two in Section  
14 11 beside the Linebery No. 2 and two in Section 12 in  
15 Units E and J that are not operated by Samedan.

16 Those wells, those four wells penetrated  
17 the Tubb. I have searched OCD records. I can find  
18 no indication of a test in the Tubb except for the  
19 well in Unit I of Section 11 had a drill stem test  
20 that recovered a small amount of gas-cut mud. That's  
21 the only testing I could find, but those wells may  
22 be, they may be able to plug the wells back or do  
23 some work, and they may be productive.

24 Q. (BY MR. AUBREY) With regard to the Branex  
25 No. 1, which is the well that's presently drilling,

1 that location is unorthodox for a gas well in the  
2 event that that Branex is a gas well; is that  
3 correct?

4 A. Yes. If the Branex turns out to be a gas  
5 well, we would request a nonstandard 80-acre unit,  
6 comprising the west half of southwest quarter and  
7 would also request an unorthodox gas well location.  
8 It is being drilled at this time as an oil well.

9 Q. Any other comments you want to make about  
10 Exhibit No. 4, Mr. Ramey?

11 A. No.

12 Q. Let's move to Exhibit No. 5, which is a  
13 production plot of the production from the Linebery  
14 No. 2 well; is that correct?

15 A. Yes. This is just a monthly production  
16 plot of the Linebery No. 2. The lower curve is oil.  
17 The middle curve is gas. And the upper curve is the  
18 gas-oil ratio.

19 The well produced a maximum of a little  
20 over 22 barrels a day in its second month of  
21 production and produced just right at 50 Mcf a day as  
22 the maximum gas production from the well. Maximum  
23 GOR was 14,657, but the well produced mostly in the  
24 5,000 to 6,000 Mcf range.

25 Q. Based on these exhibits, Mr. Ramey, what

1 are your conclusions regarding Samedan's application?

2 A. Well, I think, first, the Cline-Tubb is  
3 located on a separate and distinct structure and is  
4 therefore a separate and distinct pool. At present,  
5 the Cline-Tubb has one oil well that produced to  
6 depletion. There are two oil wells presently  
7 producing or capable of producing. We probably have  
8 two gas wells. We definitely have one gas well, and  
9 the other one will probably turn into a gas well, and  
10 we are presently drilling a well which could be oil  
11 or gas.

12 The Linebery No. 2, the only depleted oil  
13 well is structurally lower or higher than the present  
14 gas well we have; so there's no way to predict  
15 whether -- prior to drilling, whether the well will  
16 be oil or gas. So I think the Cline-Tubb should be  
17 classified as an associated pool.

18 And then an 80-acre proration unit  
19 comprising the east half of the southwest quarter of  
20 Section 12 be assigned to the Sarah "B" 2, and that  
21 an unorthodox gas well location be approved for that  
22 well.

23 In the event that Branex is a gas well,  
24 then an 80-acre proration unit comprising the west  
25 half of the southwest quarter of Section 12 be



1 assigned to the well. And if the Branex again is a  
2 gas well, then an unorthodox gas well location should  
3 be approved.

4 And that if, as expected, the Sharp  
5 becomes a gas well, then an 80-acre proration unit  
6 comprising the east half of the northwest quarter be  
7 assigned to that well.

8 Q. Mr. Ramey, are you aware of some  
9 correspondence from Chuza Operating and Kelton  
10 Operating regarding this case?

11 A. Yes. Chuza operates or has the two  
12 40-acre tracts with wells on them in Section 12, and  
13 Kelton has acreage in Section 11 immediately north of  
14 the acreage in Section 11 owned by Samedan.

15 They, I think, basically in their letters,  
16 as I interpret it, they wanted a 6,000:1 limiting GOR  
17 in the pool instead of the present 2,000:1. I have  
18 no problem with this. And if the Commission wants to  
19 consider that, why, I certainly would not oppose it.

20 Q. But, otherwise, Samedan is not taking any  
21 position on the request made in the Kelton and Chuza  
22 letter; is that correct?

23 A. Right. We think the associated pool is  
24 the way to go. If the Commission wants to approve an  
25 associated pool and assign it a 6,000 limiting GOR,

1     why, we would not object to that.

2             Q.     Mr. Ramey, were Exhibits 3 through 5  
3     either prepared by you or reviewed by you for  
4     accuracy?

5             A.     Yes, they were.

6             MS. AUBREY:   I offer Exhibits 3 through 5.

7             EXAMINER STOGNER:   Exhibits 3 through 5  
8     will be admitted into evidence.

9             Q.     (BY MS. AUBREY)   Mr. Ramey, in your  
10    opinion, will granting Samedan Oil Corporation's  
11    application protect correlative rights, prevent  
12    waste, and promote conservation?

13            A.     Yes.   I think the ability to increase gas  
14    production from a gas well will certainly give us a  
15    more reasonable payout on our wells, and we think  
16    this is necessary.

17            MS. AUBREY:   That concludes my examination  
18    of this witness.

19                               EXAMINATION

20    BY EXAMINER STOGNER:

21            Q.     Mr. Ramey, you stated that you didn't  
22    think there was a gas cap present because of one of  
23    the oil wells being on a structural high.

24            A.     That's indicated.   Now, there could be --  
25    there's evidently some kind of barrier between the

1 Sarah "B" 2 and the Linebery 2. I feel like there's  
2 some kind of stratigraphic barrier. And so there may  
3 be -- there may be a gas cap pushing up against this  
4 barrier. Hopefully, the Branex No. 1 will give us  
5 additional information about that. If you go on  
6 structure alone, there's no indication of a gas cap.  
7 The gas cap ought to be over here in the middle of --  
8 or on the east side of Section 11. There's no  
9 indication of a gas cap there.

10 Q. You said that this pool appears to be a  
11 separate and distinct -- I'm sorry -- Tubb Pool.  
12 Separated from what? Another Tubb pool in the area?

13 A. Yes. The main Tubb oil and gas pool is --  
14 comes down into this area. As I remember, I think it  
15 includes the east half of 36 and possibly some of the  
16 acreage here and then spreads to the north and east.

17 Q. You're referring to Section 36 and 6, and  
18 then you're indicating back to the northeast,  
19 essentially?

20 A. Yes, yes. I should have clarified that  
21 for the record. This would be Section 6 of Township  
22 22 South, Range 38 East.

23 Q. Do you recall how the main Tubb oil and  
24 gas pool is being developed as far as gas wells and  
25 oil wells?

1           A.    I think it's probably developed.  The  
2 majority of the development in the Tubb Pool occurred  
3 when Northern Natural moved into the state, and that  
4 was back in the late '50's and early '60's.

5           Q.    I guess what I was getting at, do you know  
6 essentially the rules that apply to the Tubb oil and  
7 gas pool, oil wells are developed on how many acres  
8 and gas wells?

9           A.    They're developed on 40 acres.  The gas  
10 wells are on 160 acres.

11          Q.    And it's under what kind -- is there a gas  
12 allowable that controls?

13          A.    The pool, the gas portion is a prorated  
14 gas pool.  The oil wells have a limiting ratio of  
15 2,000.

16          Q.    And, essentially, although it's not under  
17 the associated pool rules, it was under the prorated  
18 gas rules.  That's essentially the same as what  
19 you're asking for today; is that it?

20          A.    Yes.

21          Q.    What was the structure in the main Tubb  
22 Pool that essentially made it -- I don't want to call  
23 it an associated pool, but I will for lack of terms.  
24 You had gas wells and oil wells interconnected in the  
25 same formation.

1           A.    I think you have essentially the same  
2 situation here that you have in the Tubb.  It's  
3 primarily gas, but once in awhile you would develop  
4 an oil well.

5           Q.    And what caused the oil wells to be  
6 interspersed with the gas wells?

7           A.    I have no idea, Mr. Stogner.

8           Q.    But the same mechanism?

9           A.    I may know, but I don't remember.  It's  
10 been a long time since I've thoroughly examined the  
11 Tubb pools.

12          Q.    But the same structures that apply to the  
13 Tubb or the same mechanisms or reservoir physics that  
14 apply to the Tubb Pool, you say is applying to this  
15 one?

16          A.    Yes, I think so, but I think this little  
17 pimple, two-section pimple essentially is separated  
18 from the main pool by dryholes and by the structure  
19 itself.

20          Q.    Essentially, the applicant is seeking that  
21 this pool be included in Order R-5353, which is the  
22 associated pool rules; is that correct?

23          A.    Yes, sir.

24          Q.    Is it your understanding that the GOR --  
25 when I talk about the GOR limit, this is a limiting

1 gas-oil ratio for proration purposes, being 2,000:1?

2 A. That's the statewide rules that apply  
3 right now, yes, sir, to the Cline-Tubb Pool.

4 Q. And also that would apply in the  
5 associated pool rules?

6 A. Yes, unless you want to go higher as  
7 requested by Chuza and Kelton.

8 Q. But at this time Samedan is not prepared  
9 to submit any evidence to support the 6,000:1?

10 A. No.

11 Q. What is your understanding under the  
12 associated pool rules, the gas-oil ratio cutoff that  
13 separates gas wells and oil wells or what defines gas  
14 wells and oil wells?

15 A. I think it reads 30,000:1 is a gas well.  
16 Anything under that is an oil well.

17 This pool is in the depth bracket of 5,000  
18 to 6,000, Mr. Stogner. It has an oil well allowable,  
19 I believe, 107 barrels per day; so the gas allowable  
20 would be 214 per 40-acre tract under the associated  
21 rules, 214 Mcf per day.

22 Q. So for 160-acre standard, that would be  
23 214 Mcf times --

24 A. Times four.

25 Q. Four. So the request for the two

1 nonstandard proration units and, presumably, the  
2 Branex well taking up the other 80 acres in the  
3 southwest quarter would essentially have a gas  
4 proration unit of 80 acres, and its production would  
5 be prorated pursuant to its acreage assignment?

6 A. Yes. An 80-acre tract would have about  
7 428 Mcf per day, which is enough gas to give us a  
8 reasonable payout or a reasonable rate of return on  
9 our invested moneys in here.

10 Q. But at the same time, too, correlative  
11 rights being protected due to the prorationing  
12 scheme?

13 A. Yes. Each 40-acre tract would be allowed  
14 214 Mcf a day, whether it be produced out of one well  
15 or two wells on an 80-acre tract, this will protect  
16 the correlative rights.

17 Q. In looking at my Exhibit No. 4, I show a  
18 well in Unit E in Section 12, it shows to have a -- I  
19 assume that's a dryhole marker?

20 A. That is a Chuza well, and I believe it was  
21 probably a Drinkard well.

22 Q. So that's not even a Tubb well to be  
23 considered?

24 A. It penetrated the Tubb, and it's got the  
25 notation of "NT," which is "no test." Of course, the

1 Linebery 2 has that same notation also, but it  
2 produced from the Tubb, but the other four wells,  
3 those two wells, the one in Unit E and the one in J  
4 of 12 and the ones in H and I of 11, I could find no  
5 test in the Tubb with the exception of the one in, I  
6 believe it was in Unit I that had a drill stem test  
7 which recovered just a show of gas or gas-cut mud.

8 Q. Is Samedan requesting this to be temporary  
9 pool rules at this time or go ahead and make them  
10 permanent?

11 A. Well, I think we would prefer to have them  
12 permanent, but if you have some qualms about this,  
13 Mr. Stogner, why, we would certainly be willing to  
14 review the data and further drilling in a year's  
15 time. If you would like to make these temporary for  
16 a period of a year, we wouldn't object to that.  
17 Would we?

18 Q. Do you see that necessary with the number  
19 of wells that are already in existence there and in  
20 close proximity to the Tubb oil and gas pool, and the  
21 close relationship to the two pool rules that would  
22 be applicable in the matter?

23 A. Yes.

24 Q. Do you feel that's it's probably not  
25 necessary to make them temporary?



1           A.    I feel this is a separate structure, and I  
2 think we have enough information to say that this is  
3 an associated pool at this time. So, no, I don't  
4 feel it's necessary to make them temporary.

5           EXAMINER STOGNER: Miss Aubrey, do you  
6 have anything further?

7           MS. AUBREY: I have nothing further, Mr.  
8 Stogner.

9           EXAMINER STOGNER: Does anybody else have  
10 any further questions of Mr. Ramey? He may be  
11 excused.

12           Do you have anything further in this  
13 case?

14           MS. AUBREY: Nothing further in this case.

15           EXAMINER STOGNER: Does anybody else have  
16 anything further in Case No. 10950? If not, this  
17 case will be taken under advisement.

18  
19  
20           I do hereby certify that the foregoing is  
21 a complete and correct report of the testimony in  
22 the Examination of Case No. 10950,  
23 heard by me on 31 March 1998.

24           Michael E. Stogner, Examiner  
25           Oil and Gas Division

## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )

4 ) ss.

5 COUNTY OF SANTA FE )

6 I, Deborah O'Bine, Certified Shorthand  
7 Reporter and Notary Public, HEREBY CERTIFY that I  
8 caused my notes to be transcribed under my personal  
9 supervision, and that the foregoing transcript is a  
10 true and accurate record of the proceedings of said  
11 hearing.

12 I FURTHER CERTIFY that I am not a relative  
13 or employee of any of the parties or attorneys  
14 involved in this matter and that I have no personal  
15 interest in the final disposition of this matter.

16 WITNESS MY HAND AND SEAL, April 11, 1994.

17 

18 DEBORAH O'BINE  
19 CCR No. 63

