

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:)
)
 APPLICATION OF AMOCO PRODUCTION)
 COMPANY)
)

CASE NO. 11,093

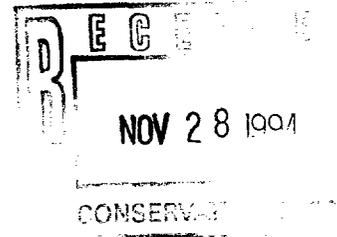
REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 29th, 1994

Santa Fe, New Mexico



This matter came on for hearing before the Oil Conservation Division on Thursday, September 29th, 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.

ORIGINAL

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 Examiner Hearing
 CASE NO. 11,093

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A P P E A R A N C E S

FOR THE DIVISION:

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Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 EXAMINER CATANACH: At this time we'll call Case
2 11,093.

3 MR. CARROLL: Application of Amoco Production
4 Company for downhole commingling, San Juan County, New
5 Mexico.

6 EXAMINER CATANACH: Are there appearances in this
7 case?

8 MR. CARR: May it please the Examiner my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan.

11 I represent Amoco Production Company in this
12 case.

13 I would request that the record reflect that each
14 of my two witnesses, Mr. Weitz and Mr. Hawkins, have
15 previously been sworn, and that their credentials as expert
16 witnesses in petroleum land matters and in petroleum
17 engineering have been accepted and made a matter of record.

18 EXAMINER CATANACH: The record shall so reflect,
19 Mr. Carr.

20 GARY WEITZ,
21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

25 Q. Mr. Weitz, are you familiar with the Application

1 filed on behalf of Amoco in Case 11,093?

2 A. Yes, I am.

3 Q. Are you familiar with the status of the lands and
4 the acreage which is impacted by this Application?

5 A. Yes, I am.

6 Q. Could you refer to what has been marked as Amoco
7 Exhibit 1 in this case and simply identify the first page
8 in that exhibit for Mr. Catanach?

9 A. The first page is the Application that was sent
10 to all working interest owners, overriding royalty interest
11 owners, which there were none in this case, and all royalty
12 owners, plus all offset operators received the same
13 Application.

14 Q. And you provided this by certified mail?

15 A. Yes, we did.

16 Q. Let's go to the second page. Please identify
17 that.

18 A. The second page is a plat indicating all of the
19 Dakota and can Gallup offsets to the Sullivan Gas Com C
20 Number 1, located in Township 29 North and Range 10 West.

21 Q. The subject well is indicated by the dark arrow?

22 A. That's correct.

23 Q. Following that is a Form C-102. Would you review
24 the information on that for Mr. Catanach?

25 A. Yes. This is a plat indicating the Dakota

1 dedication which is in the south half of Section 28,
2 Township 29 North, Range 10 West, and also it shows the
3 acreage dedication for the Gallup, which is the southeast
4 quarter of the southwest quarter of Section 28, Township 29
5 North, Range 10 West.

6 Q. Following that is another plat. What does this
7 show?

8 A. This is an offset operator plat indicating the
9 location of the Sullivan Gas Com C Number 1 which is in the
10 south half of Section 28, Township 29 North, Range 10 West.

11 It also indicates the offset operators being
12 Amoco Production Company and Meridian Oil.

13 Q. Okay. And then the following plat?

14 A. The following plat is an offset operator plat for
15 the Roy Sullivan A Number 1, which is a Gallup well. It
16 indicates the southeast quarter of the southwest quarter,
17 Township 29 North, Range 10 West.

18 It also indicates the offset operators being
19 Amoco Production Company and Meridian Oil.

20 Q. Now, in the Dakota formation we have a 320-acre
21 spacing unit?

22 A. That's correct.

23 Q. In the Gallup we have a 40-acre unit?

24 A. That's correct.

25 Q. Accordingly, there are some differences in the

1 ownership in the two spacing units?

2 A. Yes, that's correct.

3 Q. Could you identify what the pages following this
4 plat indicate?

5 A. Okay. This shows the interests in both the
6 Gallup and the Dakota formations.

7 As far as the working interest in the Gallup and
8 the Dakota, it's held 100 percent by Amoco production.
9 There are no overrides in either these, the Gallup or the
10 Dakota. There are only royalty interest owners. The
11 royalty interest owners are not common in both the Gallup
12 and Dakota, and this is what this indicates.

13 Q. Were the portions of Exhibit 1 that you've just
14 reviewed prepared by you?

15 A. Yes.

16 Q. Do you have return receipts that indicate, in
17 fact, the letters that you've testified to were mailed to
18 each of the interest owners identified on these exhibits?

19 A. Yes.

20 MR. CARR: That concludes my examination of this
21 witness.

22 EXAMINER CATANACH: I have no questions of the
23 witness.

24 MR. CARR: At this time we would call Mr.
25 Hawkins.

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JAMES W. HAWKINS,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Hawkins, are you familiar with the Application filed in this case on behalf of Amoco?

A. Yes, I am.

Q. And are you familiar with the producing characteristics of the Sullivan Gas Com C Well Number 1?

A. Yes, I am.

Q. Would you turn to the production plat, which is the third page from the back of Exhibit Number 1, identify this exhibit and review this information for Mr. Catanach?

A. Yes. The production plat that we're looking at here shows gas production from this well in 1970 through about 1981. This was from the Dakota zone.

The well was producing initially at rates of about 400 MCFD and declined to approximately 150 MCFD, it appears, by the end of 1991. At that point the well had cum'd recovery of gas about 2.3 BCF

It also shows down at the bottom some of the condensate, the production from the well, and you see the rates were very low, on the order of 2 to 3 barrels a day, and even that declined over the life of the well.

1 It did have a cumulative recovery of about 22,000
2 barrels of oil or condensate.

3 At that point, the well was recompleted from the
4 Dakota to the Gallup zone.

5 Q. At the time of the recompletion, can you estimate
6 for us how much production remained in the Dakota?

7 A. We estimate that there is, based on, you know,
8 this decline this well is exhibiting, there's about .7 BCF
9 remaining reserves for this Dakota zone.

10 Q. Okay. Let's go to the next page of this exhibit.
11 Would you review that information, please?

12 A. Yes. The next page shows the production curve
13 from the Gallup zone out of this wellbore.

14 You'll note that the wellbore had its name
15 changed from the Sullivan Gas Com C Number 1 at that point
16 to the Roy Sullivan A Number 1, and so that may clear up
17 some confusion as you see these names at various points in
18 our exhibits and in our testimony.

19 The Roy Sullivan A Number 1 well produced from
20 the Gallup from late 1991 to present. It produced
21 initially rates approximately 100 MCFD and has declined to
22 approximately 15 MCFD at the current time.

23 It also produced condensate initially at rates on
24 the order of 40 barrels a day, between 30 and 40, and that
25 has declined to where it's basically not producing any

1 condensate at this point.

2 Q. At this time the Gallup producing 15 MCF per day,
3 is that, from an economic point of view, a borderline well?

4 A. Definitely.

5 Q. And what you're proposing to do is go into the
6 well and drill out the plug and then commingle the two
7 zones?

8 A. That's correct.

9 Q. Based on the earlier testimony today, is it fair
10 to assume that the difference in the cost between these two
11 approaches is substantial?

12 A. Yes, it is.

13 Q. And if you are able to do this downhole
14 commingling and do what you're proposing today, you would
15 be able to go back and again attempt to produce remaining
16 reserving from the Dakota formation?

17 A. Yes, we would.

18 Q. Okay. Let's go to the next page in this exhibit.
19 Could you review this for the Examiner?

20 A. Yes. The next page shows the current wellbore
21 status of this well.

22 It shows that there is, once again, 4-1/2-inch
23 casing set down through the production zones, through the
24 Dakota. It shows the Dakota perforations from 6261 to --
25 That bottom number looks like it's not quite right, but at

1 least through 6359. And those perforations are isolated
2 below a bridge plug.

3 The Gallup perforation interval from 5320 down
4 through 5775 are currently open to the wellbore and
5 producing through 2-3/8-inch tubing.

6 Our proposal, as we've stated, is to drill out
7 the bridge plug, open up the Dakota perfs, probably
8 evaluate whether there needs to be any kind of stimulation
9 or not, but hopefully bring this well as it is back on
10 production with both zones producing.

11 Q. Both zones were initially fracture-stimulated?

12 A. Yes, that's correct.

13 Q. Do you anticipate any problems with the
14 compatibilities of the fluids?

15 A. No, I do not.

16 Q. And again, in this case would a dual completion
17 be a possible alternative to downhole commingling?

18 A. No, I think for the same reasons that we've kind
19 of stated before, with the small casing it's difficult to
20 run two strings of tubing in.

21 If we try to flow some production up the back
22 side, there's some risk of trying to recover all the
23 fluids.

24 I think maybe the Dakota will help us get some
25 additional recovery from the Gallup by making this downhole

1 commingle. So it looks like we should be able to extend
2 the economic life and get some more recovery from the
3 Gallup than if we just produce it separately.

4 Q. You will, in fact, be increasing the ultimate
5 recovery from these pools if you if downhole commingling
6 was authorized?

7 A. That's correct.

8 Q. How do you propose production between the two
9 zones be allocated?

10 A. Again, we have some production history from the
11 Dakota and from the Gallup. What we would do is, when we
12 open the wellbore back up, we'll try to get a current rate
13 on the Dakota producing separately and commingled rate from
14 both the Gallup and Dakota and make an allocation on a
15 fixed percentage.

16 Q. And how long a test would be required to
17 establish the rate?

18 A. Probably on the order of 30 days, again,
19 depending on what type of stimulation, if any, is required
20 for the Dakota.

21 Q. In your opinion, will approval of this
22 application of the downhole commingling of the Dakota and
23 Gallup production in the wellbore of the Sullivan Gas Com C
24 Well Number 1, will that be in the best interest of the
25 conservation, the prevention of waste and the protection of

1 correlative rights?

2 A. Yes, it will.

3 Q. Were the portions of Exhibit 1 that you've just
4 testified to, were those prepared by you?

5 A. Yes.

6 MR. CARR: At this time, Mr. Catanach, we move
7 the admission of Exhibit Number 1 in Case 11,093.

8 EXAMINER CATANACH: Exhibit Number 1 will be
9 admitted as evidence.

10 MR. CARR: And that concludes my direct
11 examination of Mr. Hawkins.

12 EXAMINER CATANACH: I have no questions of this
13 witness. He may be excused.

14 Is there anything further in this case, Mr. Carr?

15 MR. CARR: We have nothing further, Mr. Catanach.

16 EXAMINER CATANACH: There being nothing further,
17 Case 11,093 will be taken under advisement.

18 And we'll adjourn this hearing.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Deborah O'Bine, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that my notes were transcribed under my supervision; and that the foregoing is a true and accurate record of the proceedings.

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

Deborah O'Bine

DEBORAH O'BINE
CCR No. 63

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1102, heard by me on September 25 1988.

David R. Laitant, Examiner
Oil Conservation Division