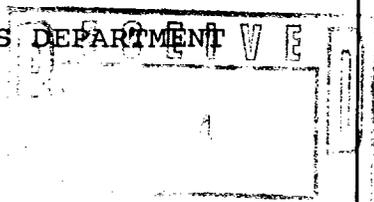


STATE OF NEW MEXICO

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 EXXON CORPORATION FOR A )  
NONSTANDARD GAS PRORATION UNIT, )  
SIMULTANEOUS DEDICATION AND TWO )  
UNORTHODOX GAS WELL LOCATIONS, LEA )  
COUNTY, NEW MEXICO )

CASE NO. 11,479

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 21st, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 21st, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

I N D E X

March 21st, 1996  
Examiner Hearing  
CASE NO. 11,479

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APPLICANT'S WITNESSES:	
<u>DONNA BAUER</u> (Engineer)	
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\* \* \*

E X H I B I T S

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\* \* \*

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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P.O. Box 2068  
Santa Fe, New Mexico 87504-2068  
By: JAMES G. BRUCE

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 11:52 a.m.:

3           EXAMINER CATANACH: Call Case 11,479.

4           MR. CARROLL: Application of Exxon Corporation  
5 for a nonstandard gas proration unit, simultaneous  
6 dedication and two unorthodox gas well locations, Lea  
7 County, New Mexico.

8           EXAMINER CATANACH: Are there appearances in this  
9 case?

10          MR. BRUCE: Mr. Examiner, Jim Bruce from the  
11 Hinkle law firm in Santa Fe, representing the Applicant.

12                   I have one witness to be sworn.

13          EXAMINER CATANACH: Any additional appearances?

14                   Will the witness please stand and be sworn in?

15                   (Thereupon, the witness was sworn.)

16                                 DONNA BAUER,

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

19   DIRECT EXAMINATION

20 BY MR. BRUCE:

21           Q.    Would you please state your name and city of  
22 residence for the record?

23           A.    My name is Donna Bauer. I live in Midland,  
24 Texas.

25           Q.    And what is your occupation and who are you

1 employed by?

2 A. I'm an engineer with Exxon Company, USA.

3 Q. Have you previously testified before the  
4 Division?

5 A. Yes, I have.

6 Q. And were your credentials as a petroleum  
7 engineer, expert petroleum engineer, accepted as a matter  
8 of record?

9 A. Yes, they were.

10 Q. And are you familiar with the matters pertaining  
11 to this Application?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I would tender Ms.  
14 Bauer as an expert petroleum engineer.

15 EXAMINER CATANACH: Ms. Bauer is so qualified.

16 Q. (By Mr. Bruce) Briefly, what does Exxon seek in  
17 this case?

18 A. We seek approval of a 160-acre nonstandard gas  
19 proration unit in the Blinebry Oil and Gas Pool. That NSP  
20 would be comprised of units B, C, E and F of Section 2,  
21 Township 22 South, Range 37 East, to which we would propose  
22 to simultaneously dedicate Exxon "S" State Wells Numbers  
23 14, 38 and 28.

24 Q. What is Exhibit 1?

25 A. Exhibit 1 is a plat showing all the Blinebry oil

1 and gas wells in the area of our lease. It also shows the  
2 proration units dedicated to those wells.

3 The section outlined in the middle is -- or  
4 highlighted in yellow, is Exxon's "S" State lease. It  
5 comprises all of Section 2, and we do own all of Section 2.

6 Q. Okay. What is -- You mentioned that Exhibit 1  
7 shows the current proration units. Is that also shown on  
8 Exhibit 2?

9 A. Yes, it is.

10 Q. What else does that indicate?

11 A. Exhibit 2 does show the -- where our current  
12 proration units are located, the gas proration units  
13 indicated in red, the oil units in green. Again, this is  
14 just for the Blinebry.

15 You can see that we already have some nonstandard  
16 units that have been previously approved. To the north,  
17 Well Number 14 has a nonstandard unit that was previously  
18 approved under Order Number R-10,063. And toward the west,  
19 Well Number 38 was previously approved to be dedicated to a  
20 nonstandard unit, which was approved under NSP-1667.

21 Q. What are Exxon's plans for Blinebry wells in this  
22 section? And I refer you to Exhibit 3.

23 A. On Exhibit 3, we show what the proposed proration  
24 units will be for this lease. You can see that toward the  
25 top of the page in the north part, section, we do show the

1 proposed nonstandard unit, which would encompass wells 14,  
2 28 and 38.

3 Wells 38 and 28 are existing Blinebry wells  
4 which, upon approval of this nonstandard unit, would be at  
5 unorthodox locations. Well Number 38 is located at 2100  
6 feet from the north line and 660 from the west. Well 28 is  
7 located at 2160 from the north and 1800 from the west.

8 Q. So they're both unorthodox in a north-south  
9 direction?

10 A. That's correct.

11 Q. And do you request that these two well locations  
12 be approved as unorthodox gas well locations?

13 A. Yes, we do.

14 Q. Now, looking at Exhibit 2 and 3 together, the  
15 Well 28 in Unit F is currently listed as an oil well; is  
16 that correct?

17 A. That's correct.

18 Q. What are your plans for that well?

19 A. We plan to add some pay in the Blinebry zone. We  
20 also plan to hydraulically fracture-stimulate the zone. As  
21 a result of that workover, we anticipate that the well will  
22 become a gas well.

23 Q. Briefly, what does Exhibit 4 contain?

24 A. Exhibit 4 are copies of the C-102s for each well  
25 that will be included in the proposed NSP.

1 Q. Okay. Next, Exhibit 5. What is indicated on  
2 that map?

3 A. Exhibit 5 is a production plat for the Blinebry.  
4 Again, the area in yellow is Exxon's New Mexico "S" State  
5 lease.

6 The key to the wells here shows the current oil  
7 and gas daily production rates, along with the cumulative  
8 oil and cumulative gas that's been produced from these  
9 wells. It does show that the entire section is productive  
10 in the Blinebry.

11 Q. Okay. Does Exhibit 5 also indicate the offset  
12 operators?

13 A. Yes, it does.

14 Q. And who are they?

15 A. We have Oxy and Marathon to the north, and  
16 Chevron and Hendrix to the northwest and west.

17 Q. And was notice of this Application mailed to  
18 those offset operators?

19 A. Yes, it was.

20 Q. And are the notice letters and certified return  
21 receipts submitted with the affidavit marked Exhibit 6?

22 A. Yes, they are.

23 Q. And in your opinion, will the granting of this  
24 Application be in the interests of conservation and the  
25 prevention of waste?

1 A. Yes.

2 Q. And were Exhibits 1 through 6 prepared under your  
3 direction or compiled from company records?

4 A. They were.

5 MR. BRUCE: Mr. Examiner, I would move the  
6 admission of Exhibits 1 through 6.

7 EXAMINER CATANACH: Exhibits 1 through 6 will be  
8 admitted as evidence.

9 EXAMINATION

10 BY EXAMINER CATANACH:

11 Q. Ms. Bauer, the whole purpose of this  
12 rearrangement is to accommodate the Number 28 well; is that  
13 right?

14 A. Basically to -- It's all in an effort to  
15 basically maximize production and reserve recovery from  
16 these wells.

17 Q. The nonstandard unit comprising the southwest  
18 quarter, that has not been formed yet?

19 A. It's currently -- It has been filed with NMOCD,  
20 and it's currently being reviewed.

21 MR. BRUCE: We would prefer a 640-acre unit with  
22 all of the wells.

23 Q. (By Examiner Catanach) The wells in the  
24 southwest quarter, those are also going to be -- add  
25 perforations in those wells?

1           A.    In some of the wells.  Let's see.  In that  
2 section we plan to do some artificial lift work on Well  
3 Number 22.  Well Number 27, we will do a perf-and-frac job  
4 similar to what we've proposed in that north section.

5                    We're looking at re-entering a well that's listed  
6 as 42 right now.  If we do re-enter that well and make a  
7 well, it would change well numbers.  But we're evaluating  
8 work in that area as well.

9           Q.    So you anticipate Number 22 and 27 becoming gas  
10 wells?

11          A.    Yes.

12          Q.    Okay.  Any plans for the 39?

13          A.    No, at this time we don't have any workover plans  
14 on the 39.  It will remain an oil well.

15          Q.    On your table, on Exhibit Number 5, your top  
16 numbers are your current rates; is that correct?

17          A.    Correct.  Current as of basically January.

18          Q.    And the bottom numbers --

19          A.    Those are the cums, cumulative production from  
20 those wells.

21          Q.    Do you know what the current allowable in the  
22 Blinebry is?

23          A.    Let's see, as of October -- the October, 1995, to  
24 March, 1996, the allocation factor was 42,550 MCF.  I don't  
25 believe the new allowables have come out yet.  We did

1 request an increase in that allowable for this cycle, this  
2 period.

3 Q. That's per 160?

4 A. Correct.

5 Q. 42,550?

6 A. 42,550.

7 EXAMINER CATANACH: Okay.

8 MR. BRUCE: At the prorationing hearing last  
9 month, Exxon -- or early this month, Exxon did request that  
10 the gas allowable for the pool be increased to, I think,  
11 46,800.

12 Q. (By Examiner Catanach) Was that in part to  
13 accommodate the work you're doing in this section?

14 A. In part.

15 Q. So will your three gas wells in your nonstandard  
16 proration unit -- will they -- how will they -- what  
17 producing rates are you expecting those wells to --

18 A. I don't have the exact rates for each of those  
19 wells. Whether or not it would become nonmarginal will  
20 depend upon the success of the workovers, whether or not  
21 the nonstandard unit is approved, and whether or not we get  
22 the 10-percent increase.

23 Q. If the nonstandard unit is not approved, how does  
24 that affect the 28 well? Will that have to remain as an  
25 oil well?

1           A.    In all probability it would, or we would be  
2 severely limited on production. I'm not sure if the  
3 economics would justify doing the work if that were the  
4 case.

5           Q.    That results in a reduced recovery from that  
6 well?

7           A.    Correct.

8           Q.    Ms. Bauer, does this have any adverse effect on  
9 any offset operator that you can ascertain?

10          A.    No.

11          Q.    Is the entire proration unit -- is that -- That's  
12 all Exxon, is the working-interest owner?

13          A.    Yes, we are 100-percent owner.

14          Q.    And it's all the same common state lease?

15          A.    Yes.

16                EXAMINER CATANACH: I think that's all I have,  
17 Mr. Bruce.

18                MR. BRUCE: At the hearing, at the prorationing  
19 hearing, Marathon did enter an appearance and speak up in  
20 favor of, I think, Exxon's increase in the allowable.

21                EXAMINER CATANACH: That was at the last  
22 Commission hearing?

23                MR. BRUCE: The last Commission hearing.

24                EXAMINER CATANACH: Do you think that's going to  
25 be approved?

1 MR. BRUCE: I have no idea.

2 EXAMINER CATANACH: You don't want to speculate  
3 on the action --

4 MR. BRUCE: We think it will -- we have asked --  
5 I believe on Exxon's behalf, we have come up here each of  
6 the last, I think, three gas prorationing hearings, and  
7 have gotten the allowable increased each time for the  
8 Blinebry pool. Or at least three times, I believe, we've  
9 done that. so there has been a fair amount of workover  
10 activity and extra production.

11 EXAMINER CATANACH: All right. There being  
12 nothing further, Case 11,479 will be taken under  
13 advisement.

14 (Thereupon, these proceedings were concluded at  
15 12:05 p.m.)

16 \* \* \*

17  
18  
19  
20 I do hereby certify that the foregoing is  
21 a complete record of the proceedings in  
the Examiner hearing of Case No. 11479,  
22 heard by me on March 21 1996.  
23 David R. Catanach, Examiner  
Oil Conservation Division  
24  
25

