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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:)
APPLICATIONS OF EXXON CORPORATION)

CASE NOS. 10,894
10,895

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JIM MORROW, Hearing Examiner

MAR 21 1994

February 3rd, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, February 3rd, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 3rd, 1994
 Examiner Hearing
 CASE NOS. 10,894, 10,895

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* * *

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

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 8:42 a.m.:

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8 EXAMINER MORROW: Call Case 10,894.

9

10 MR. STOVALL: It's the Application of Exxon
11 Corporation for a non-standard gas proration unit, Lea
12 County, New Mexico.

12

EXAMINER MORROW: Call for appearances.

13

14 MR. BRUCE: Mr. Examiner, my name is Jim Bruce
15 from the Hinkle law firm in Santa Fe, representing the
16 Applicant. I have one witness to be sworn.

16

17 And I would also like this case to be
18 consolidated with the next case, 10,895. They pertain to
19 the same lease.

19

EXAMINER MORROW: All right, we'll also call Case
20 10,895 at this time.

21

22 MR. STOVALL: Application of Exxon Corporation
23 for a non-standard gas proration unit and simultaneous
24 dedication, Lea County, New Mexico

24

EXAMINER MORROW: Will the witness please stand
25 to be sworn?

1 WILLIAM T. DUNCAN, JR.,

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

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Will you please state your name for the record?

7 A. My name is William T. Duncan, Jr.

8 Q. And where do you reside?

9 A. I reside in Midland, Texas.

10 Q. Who do you work for and in what capacity?

11 A. I work for Exxon Corporation, Exxon Company, USA,
12 a division of Exxon Corporation, and I am in our regulatory
13 affairs group, and I specialize in oil and gas conservation
14 matters.

15 Q. What is your educational background?

16 A. I have a bachelor of science degree in mechanical
17 engineering from Texas A&M University in 1980.

18 Q. Have you previously qualified before the Division
19 as an expert engineer?

20 A. Yes, I have.

21 Q. And are you familiar with the matters pertaining
22 to this Application?

23 A. Yes, I am.

24 MR. BRUCE: Mr. Examiner, I would tender Mr.
25 Duncan as an expert engineering witness.

1 EXAMINER MORROW: We accept Mr. Duncan's
2 qualifications.

3 Q. (By Mr. Bruce) Briefly, Mr. Duncan, what is it
4 that Exxon seeks in these two cases?

5 A. In Case Number 10,894, Exxon seeks to form an 80-
6 acre nonstandard gas proration unit comprising the
7 northwest quarter of the northeast quarter of Section 34
8 and the southwest quarter of the southeast quarter of
9 Section 27, both in Township 21 South, Range 37 East, Lea
10 County, in the Blinebry Oil and Gas Pool to be dedicated to
11 our F.F. Hardison "B" Well Number 4. That well currently
12 has a 40-acre nonstandard gas proration unit.

13 Q. What about the second case? And maybe it would
14 help if you would look at Exhibit 1 and identify that for
15 the Examiner.

16 A. Okay, you can go ahead and pass out the exhibits.

17 Q. First of all, Mr. Duncan, what is Exhibit Number
18 1?

19 A. Exhibit Number 1 is a map showing a portion of
20 the Blinebry Oil and Gas Pool, that portion which contains
21 the F.F. Hardison lease, which is highlighted in yellow.
22 And it shows with the large black dots Blinebry Oil and Gas
23 Pool completions.

24 And with the lighter lines that are not as heavy
25 as the section lines, it shows the approximate proration

1 units dedicated to each one of those wells.

2 Q. Okay. Now, you've already mentioned the first
3 case, and you're seeking a nonstandard unit. That's the
4 80-acre unit outlined in blue; is that correct?

5 A. That's correct.

6 Q. And in the second case, 10,895, what is it that
7 Exxon seeks?

8 A. In the second case, Exxon seeks to reorient the
9 current 120-acre nonstandard gas proration unit that is
10 currently dedicated to Exxon's F.F. Hardison Wells 8 and 7
11 from its -- well, its current orientation to the
12 orientation shown on Exhibit Number 1.

13 This reorientation would keep the same acreage
14 dedicated to the same two wells, but reorient such that we
15 can dedicate 40 acres, an additional 40 acres, to Well
16 Number 4.

17 Q. Referring to Exhibit 2, what is the underlying
18 reason for Exxon's requested change in the proration units?

19 A. Well, Exhibit Number --

20 Q. Exhibit 2, excuse me.

21 A. -- 2 is a Blinebry production map. It just shows
22 the production, the current production and the cum
23 production on the wells from the Exxon's F.F. Hardison "B"
24 lease.

25 Well Number 4 is -- We anticipate working that

1 well over, adding perforations in what we believe is a gas-
2 productive area of the formation, and fracture-stimulating
3 that completion, and we think that it will produce in
4 excess of its 40-acre allowable that it could now obtain,
5 or it now has. So we seek to dedicate 80 acres to that
6 well.

7 And then we are also planning to work over our
8 Well Number 8 and do essentially the same operation, but we
9 are proposing the reoriented proration unit, keeping it at
10 120 acres and dedicating it to Wells 8 and 7.

11 Q. Would you refer to Exhibit 3 and discuss what the
12 current units are for these wells?

13 A. Exhibit Number 3 is a two-page exhibit, the first
14 page of which shows the current proration unit orientation
15 on the F.F. Hardison "B" lease. Highlighted in blue are
16 the proration unit for Well 4 and then the proration unit
17 for Wells 7 and 8.

18 The second page of that exhibit shows the
19 proposed proration units. And as you can see, we've just
20 essentially reoriented the 120 and included a previously
21 undedicated 40 -- or a 40 that really was previously
22 dedicated to the other two wells, to Well Number 4.

23 Q. Now, in the area outlined in yellow, that's one
24 Exxon lease; is that correct?

25 A. That's correct, that is one lease that is uniform

1 in interest throughout.

2 Q. Royalty and working interest?

3 A. That's correct, based upon Exxon's records that I
4 checked.

5 Q. Would you then identify Exhibit 4 for the
6 Examiner?

7 A. Exhibit 4 are copies -- is a three-page exhibit
8 consisting of the Form C-102s filed by Exxon for the
9 requested well work, or the requested reorientation.

10 Page one is for Well Number 4, and it shows in
11 blue the 80-acre nonstandard proration unit we requested
12 for Well 4.

13 The second page is the same for Well Number 7,
14 showing the 120-acre nonstandard unit.

15 And Well Number 8 is shown on the third page with
16 the same proration unit as we had seen on Well Number 7.

17 Q. And these C-102s have been filed with the
18 district office of the Division?

19 A. That is correct.

20 Q. What is Exhibit 5?

21 A. Exhibit 5 is a map showing the same -- the same
22 area. Exxon's lease is highlighted in yellow, and the
23 offsetting 160-acre tracts are shown with their operators.
24 These are the operators that Exxon notified of the
25 Application.

1 Q. Okay. What is Exhibit 6, Mr. Duncan?

2 A. Exhibit Number 6 is a package of waivers that
3 were received by Exxon for this well prior to this
4 hearing -- or for this work prior to this hearing.

5 These -- This exhibit is, I think, four pages.
6 It consists of four waivers. We have not received any
7 indication of opposition from anyone we notified.

8 Q. And finally you indicated notice was given.
9 Would you identify Exhibit 7 for the Examiner?

10 A. Exhibit Number 7 is an affidavit of notice signed
11 by Alex Correa. He actually prepared the Applications and
12 filed them and provided notice.

13 Q. Okay.

14 A. This exhibit contains a list of the operators
15 that were notified. It contains the letter, the cover
16 letter sent to those persons. And the last three pages are
17 copies of the certified return receipts.

18 Q. In your opinion, is the granting of these
19 Applications in the interest of conservation and the
20 prevention of waste?

21 A. Yes.

22 Q. And were Exhibits 1 through 7 prepared by you,
23 under your direction, or compiled from company records?

24 A. Yes, they were.

25 MR. BRUCE: Mr. Examiner, I tender the admission

1 of Exhibits 1 through 7.

2 EXAMINER MORROW: 1 through 7 are admitted.

3 EXAMINATION

4 BY EXAMINER MORROW:

5 Q. Mr. Duncan, is -- in the southeast quarter of
6 Section 27, is -- Let's see, that's the northeast quarter
7 of Section 27. Is unit letter J assigned to anything at
8 this time or -- in this pool?

9 A. I'm not sure I'm following you. Let me see if I
10 can catch up.

11 Q. Okay. On your Exhibit 3 --

12 A. All right.

13 Q. -- you show the present assignment of acreage on
14 the first page, and on the second page you show the
15 proposed assignment.

16 A. Yes.

17 Q. Unit J will be assigned to wells 7 and 8, and
18 it's not now. I was curious as to whether or not it is
19 assigned to anything at this time?

20 A. It is not.

21 Q. It is not?

22 A. It is not assigned to anything in the Blinebry.
23 In the Blinebry.

24 Q. Okay, in the Blinebry. All right.

25 And I believe all these are standard well

1 locations for the Blinebry; is that correct?

2 A. Yes, they are.

3 EXAMINER MORROW: Do you have any questions?

4 MR. STOVALL: No.

5 EXAMINER MORROW: Thank you, Mr. Duncan.

6 Appreciate your testimony.

7 THE WITNESS: Thank you.

8 EXAMINER MORROW: Cases 10,894 and 10,895 will be
9 taken under advisement.

10 (Thereupon, these proceedings were concluded at
11 8:54 a.m.)

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CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; 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.

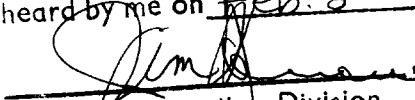
WITNESS MY HAND AND SEAL February 15th, 1994.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10894 heard by me on Feb. 3 1994



Examiner
Oil Conservation Division