

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
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7 EXAMINER HEARING
8

9 IN THE MATTER OF:

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11 Application of Bannon Energy Case 9791
12 Incorporated for extension
13 and contraction of certain pools
14 in Rio Arriba County, New Mexico
15
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18 TRANSCRIPT OF PROCEEDINGS
19

20 BEFORE: DAVID R. CATANACH, EXAMINER
21

22 STATE LAND OFFICE BUILDING

23 SANTA FE, NEW MEXICO

24 November 15, 1989
25

ORIGINAL

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

FOR THE APPLICANT:

CAMPBELL & BLACK, P.A.
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504
BY: PATRICIA MATTHEWS, ESQ.

1 HEARING EXAMINER: At this time, we'll call
2 Case 9791, application of Bannon Energy Incorporated
3 for extension and contraction of certain pools in Rio
4 Arriba County, New Mexico.

5 Are there appearances in this case?

6 MS. MATTHEWS: Yes. My name is Patricia
7 Matthews on behalf of Campbell & Black on behalf of
8 Bannon Energy Incorporated.

9 HEARING EXAMINER: Any witnesses, Ms.
10 Matthews?

11 MS. MATTHEWS: No witnesses.

12 Just briefly, Case No. 9791 was heard on
13 October 18, 1989. On that date there was some
14 confusion as to whether notice, according to the Oil
15 Commission rules, was provided.

16 The case was continued until today so that
17 Bannon could make certain that proper notice had been
18 given.

19 I've provided the examiner with an
20 affidavit which has attached to it letters that state
21 that proper notice has been given in accordance to
22 Rule 1207.

23 I've also supplied the examiner with copies
24 of the revised plat as requested by Mr. Stogner.

25 At this time I would request the Commission

1 take Case 9791 under advisement.

2 HEARING EXAMINER: Ms. Matthews, are you
3 saying that notice was properly given for the October
4 18th hearing?

5 MS. MATTHEWS: Yes.

6 HEARING EXAMINER: Is that what's been
7 determined?

8 MS. MATTHEWS: That's what I assume, yes.

9 HEARING EXAMINER: These aren't marked as
10 exhibits. Let's enter them as exhibits.

11 (Thereupon, a discussion was held
12 off the record.)

13 HEARING EXAMINER: Let's go back on the
14 record.

15 MS. MATTHEWS: At this time, I'd like to
16 offer Exhibit No. 1, which is a copy of the revised
17 plat of the affected pools that was requested by Mr.
18 Stogner at the earlier hearing as Exhibit No. 1. I'd
19 like to offer that into evidence, please.

20 HEARING EXAMINER: Exhibit No. 1 will be
21 admitted as evidence.

22 MS. MATTHEWS: I'd also like to offer
23 Exhibit No. 7, which is an affidavit that proper
24 notice has been given in accordance with Rule 1207 of
25 the New Mexico Oil Conservation Division Rules.

1 HEARING EXAMINER: Exhibit No. 7 will be
2 admitted into evidence.

3 MS. MATTHEWS: I have nothing further.

4 HEARING EXAMINER: There being nothing
5 further in Case 9791, it will be taken under
6 advisement, and this hearing is adjourned.

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1 CERTIFICATE OF REPORTER

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

5

6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

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

17 WITNESS MY HAND AND SEAL November 25, 1989.

18

19

20

Deborah O'Bine
DEBORAH O'BINE
CSR No. 127

21 My commission expires: August 10, 1990

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9791
heard by me on November 15 1989.
David C. Cuthbert, Examiner
Oil Conservation Division

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11 Application of Bannon Energy Case 9791
12 Incorporation for extension and
13 contraction of certain pools
14 in Rio Arriba County, New Mexico.
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17 TRANSCRIPT OF PROCEEDINGS
18

19 BEFORE: MICHAEL E. STOGNER, EXAMINER
20

21 STATE LAND OFFICE BUILDING

22 SANTA FE, NEW MEXICO

23 October 18, 1989
24

25 **ORIGINAL**

A P P E A R A N C E S

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FOR THE DIVISION:

ROBERT G. STOVALL
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Post Office Box 2208
Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

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1 HEARING EXAMINER: Next case, No. 9791,
2 which is the application of Bannon Energy, Inc., for
3 extension and contraction of certain pools in Rio
4 Arriba County, New Mexico.

5 At this time I'll call for appearances.

6 MR. CARR: May it please the examiner, my
7 name is William F. Carr with the Santa Fe law firm of
8 Campbell & Black, P.A. We represent Bannon Energy,
9 Inc., and I have one witness.

10 HEARING EXAMINER: Are there any other
11 appearances?

12 Will the witness please stand to be sworn?

13 MARK E. WEIDLER,
14 the witness herein, after having been first duly sworn
15 upon his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q. Will you state your full name for the
19 record, please.

20 A. Mark E. Weidler.

21 Q. Mr. Weidler, where do you reside?

22 A. Farmington, New Mexico.

23 Q. By whom are you employed, and in what
24 capacity?

25 A. I'm an independent petroleum geologist, but

1 I'm here representing both Bannon Energy, Inc., and
2 Jack Cole Production Company.

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

5 A. I have.

6 Q. When was that?

7 A. Approximately 12 years ago.

8 Q. Would you briefly summarize for Mr. Stogner
9 your educational background, and then review your work
10 experience.

11 A. Mr. Stogner, I have a bachelor's and a
12 master's degree from the University of Nebraska, both
13 in the field of geology. I have 35 years' working
14 experience as a professional geologist and 17 as an
15 independent.

16 Q. Have you studied the area which is the
17 subject of this case?

18 A. I have, sir.

19 Q. Are you familiar with the application filed
20 in this case on behalf of Bannon Energy, Inc.?

21 A. I am.

22 MR. CARR: Are the witness's qualifications
23 acceptable?

24 HEARING EXAMINER: They are.

25 Q. (BY MR. CARR) Mr. Weidler, would you

1 briefly state what Bannon seeks with this application?

2 A. The purpose of this application is to
3 extend, delete certain pool boundaries, the Counselors
4 Gallup-Dakota Pool from a small area, Lybrook-Gallup
5 Pool from a small area, and extend and consolidate the
6 Escrito Associated Gallup Pool farther southeastward
7 in an attempt to resolve some minor discrepancies.

8 Q. So what you're doing is contracting
9 Lybrook-Gallup and Counselors-Gallup and extending the
10 Escrito-Gallup?

11 A. That's correct.

12 Q. Have you prepared certain exhibits for
13 presentation in this case?

14 A. I have.

15 Q. Would you refer to what has been marked for
16 identification as Bannon Exhibit No. 1, identify this
17 exhibit, and review it for Mr. Stogner?

18 A. The exhibit shows the boundaries as of
19 approximately August 1 for the Escrito, Lybrook, and
20 Counselors Gallup-Dakota Pools, and shows generally
21 that both the Lybrook and the Escrito Pool boundaries
22 follow a northwest-southeast trending configuration,
23 elongate in that direction and approximately a
24 mile-and-a-half to two miles wide.

25 Q. The Escrito-Gallup Pool has been shaded in

1 yellow?

2 A. It has, sir.

3 Q. It appears to me on this exhibit that you
4 have also shaded the east half of the southeast of
5 31. Is that intended to be shaded?

6 A. Yes, it is because it was added to the pool
7 as an extension by the drilling of the Jack Cole
8 Rincon No. 11 Well in the month of July.

9 Q. Mr. Weidler, would you now refer to Bannon
10 Exhibit 2, and it might be helpful at this time to
11 also refer to Bannon Exhibit 3. Identify these two
12 exhibits and review what they're designed to show.

13 A. Exhibit 2 and Exhibit 3 -- Exhibit 2
14 specifically shows a blowup of the area around the
15 common corners of Township 23, 24 North, and 6 and 7
16 West, where the Counselors Gallup-Dakota,
17 Escrito-Gallup Pool, and Lybrook-Gallup Pool become
18 contiguous.

19 Exhibit No. 2 specifically shows the
20 existing conditions in early August as to the
21 particular pool boundaries.

22 Exhibit No. 3 is the proposed pool
23 boundaries as sought in this application.

24 Q. And basically what we're looking at is
25 Sections 31, the northeast of 6, and the north half of

1 Section 5; is that correct?

2 A. That's correct.

3 Q. Have there been other recent extensions of
4 the Escrito Pool in this area?

5 A. The most recent extensions include, in
6 1988, the drilling of the McElvain Park Well in the
7 northeast quarter of Section 36 on state lands; the
8 drilling in 1989 of the Jack Cole Rincon No. 1 in the
9 northwest of the -- excuse me -- the northeast of the
10 northwest of Section 30 of Township 24 North, Range 6
11 West; and the southwest-northeast Section 30, Township
12 24 North, Range 6, in addition to the Rincon No. 11 I
13 previously referred to that is drilled in the
14 northeast-southeast Section 31, 24 North 6.

15 Q. Mr. Weidler, would you now refer to Bannon
16 Exhibit No. 4, and identify this exhibit for the
17 examiner and explain what it shows.

18 A. Exhibit 4 is a map which shows the proposed
19 pool boundaries, but superimposed thereon are wells
20 that are drilled on and in proximity to the
21 Escrito-Gallup Pool, and illustrate the net pay for
22 the main producing zone in the area, which we refer to
23 as the Mary 1 zone.

24 And you will see the contours define a
25 northwesterly southeasterly trending -- bar trend with

1 the contours I've illustrated extending from a net pay
2 thickness of 15 feet up to a maximum of 30 feet.

3 Q. This bar trend is basically an extension of
4 the trend that is underlying the pool as depicted on
5 Exhibit No. 1?

6 A. That's right, in the yellow on Exhibit No.
7 1.

8 Q. In the area that is involved in this
9 extension, who's the operator of all the wells that
10 will be affected in the extension area?

11 A. The extension area involves wells drilled
12 and operated by either Bannon Energy Incorporated or
13 Jack A. Cole.

14 Q. Are all the leases involved federal leases?

15 A. They are, sir.

16 Q. Will you identify for Mr. Stogner the most
17 recent development in this expansion area?

18 A. The most wells drilled were the Jack Cole
19 Rincon No. 7 in the northeast quarter of the northeast
20 quarter, Section 6, and the Jack Cole Rincon No. 5 in
21 the northeast quarter-northeast quarter, Section 5,
22 both Township 23 North, Range 6 West.

23 Q. What is the spacing in the Escrito Pool?

24 A. The Escrito Pool provides for 80-acre oil
25 spacing.

1 Q. And at this time the effective spacing in
2 this expansion area is in fact on 80-acre tracts?

3 A. It is, yes, by intent.

4 Q. How does the formation under this extension
5 of the Escrito that you're proposing compare to the
6 formation in the offsetting pools, both the Lybrook to
7 the south and the Counselors to the east?

8 A. As indicated on Exhibit 4, the contour map
9 showing net pay, you can see that the 20-foot contour
10 line fairly nicely defines the Escrito Pool. We are
11 simply extending into the area that that contour
12 encloses.

13 The sand is not mutually exclusive to this
14 area. It extends beyond but generally is thinner than
15 20 feet in its natural occurrence.

16 Q. So the thickest part of this trend is what
17 has been characteristically placed in the Escrito
18 Pool?

19 A. Yes.

20 Q. Would you refer to Exhibit No. 5 and
21 explain that for the examiner, please.

22 A. Exhibit No. 5 is an illustration I prepared
23 from a formation density log within the existing pool
24 and illustrates the vertical layering of the zones in
25 the Gallup, and specifically identifies by yellow the

1 Mary 1 zone which I have contoured on Exhibit No. 4.

2 Q. Where exactly is that well on Exhibit No.
3 4?

4 A. The well is located in the southwest
5 quarter-southwest quarter of Section 25 in 24 North 7
6 West.

7 Q. Let's go to the second page of Exhibit No.
8 5, and would you review what that shows?

9 A. That is the Marcos A-12 well which also has
10 the Mary 1 zone highlighted, and it was drilled in the
11 west half of the northeast quarter, Section 5 of
12 Township 23 North, Range 6 West, and is there to
13 illustrate the continuity and the similar expression
14 and thickness of the zone from one well log to the
15 other log, which includes the area we want to respace.

16 Q. Based on your study of this area, do you
17 have an opinion as a geologist as to what pool it
18 would be most appropriate to include the subject lands
19 in?

20 A. Based on the geological factors and also
21 the well performance and pressure information thus
22 far, it is our opinion that extension and
23 consolidation of this area within the Escrito-Gallup
24 Pool, Associated Gallup Pool, would be the logical way
25 to proceed.

1 Q. Mr. Weidler, would you identify what has
2 been marked as Bannon Exhibit No. 6.

3 A. It's a letter authored on Bannon Energy
4 Incorporated's stationery, signed by Mr. W.J. Hoakum
5 as agent for Bannon Energy, to Mr. Michael Stogner,
6 proposing the contractions and deletions that are part
7 of this hearing.

8 Q. Was a copy of this letter provided to all
9 offsetting interest owners?

10 A. It was, sir.

11 Q. Do you happen to know whether or not a copy
12 was sent by certified mail of a letter advising these
13 interest owners of today's hearing?

14 A. I cannot say for sure.

15 MR. CARR: Mr. Stogner, at this point in
16 time, we are unclear as to whether or not actual
17 notice was given by certified mail of today's
18 hearing.

19 For that reason, at the conclusion of our
20 direct case, we will request that the case be
21 continued to the November 15 hearing. During that
22 period of time, we will either submit to you return
23 receipts on the letters that were previously sent, or
24 we will provide notice so the 20 days will have run,
25 and anyone affected will have an opportunity to come

1 in at that time and express any objection, if they may
2 have such an objection.

3 HEARING EXAMINER: Thank you, Mr. Carr.

4 Q. (BY MR. CARR) In your opinion, Mr.
5 Weidler, will approval of this application be in the
6 best interest of conservation, the prevention of
7 waste, and the protection of correlative rights?

8 A. Yes, I believe it will.

9 Q. Will Exhibits 1 through 6 either prepared
10 by you or compiled under your direction and
11 supervision?

12 A. They were.

13 MR. CARR: Mr. Stogner, at this time, we
14 would move the inclusion of Bannon Exhibits 1 through
15 6.

16 HEARING EXAMINER: Mr. Carr, would you
17 approach the table?

18 (Thereupon, a discussion was held
19 off the record.)

20 Q. (BY MR. CARR) Mr. Weidler, I'd like to
21 direct your attention back to Exhibit No. 1.

22 A. Yes.

23 Q. The boundaries that are set forth on this
24 exhibit, have you reviewed these boundaries, and can
25 you testify as to their accuracy?

1 A. They were compiled from information I
2 obtained from the OCD office in Aztec at that time,
3 and I believe they are correctly depicted.

4 Q. With the exception of the acreage in the
5 extreme southeast corner of Section 31?

6 A. At the time of preparation, that well had
7 not been drilled, the Jack Cole Rincon No. 11.

8 Q. Mr. Weidler, in addition to that, the area
9 that is the subject of this case is depicted on
10 Exhibits 2, 3, and 4; is that correct?

11 A. That's correct.

12 Q. Have you reviewed the information on these
13 exhibits?

14 A. I have.

15 Q. Can you testify as to the accuracy of this
16 information?

17 A. Yes, I can. I believe they are accurate.

18 Q. If there's any inconsistency between
19 Exhibit 1 and the subsequent three exhibits, the
20 subsequent three would control; is that correct?

21 A. I agree, yes.

22 MR. CARR: And I have no further questions
23 of this witness, I think.

24 CROSS-EXAMINATION

25 BY HEARING EXAMINER:

1 Q. Where did you get Exhibit 1?

2 A. I made it sitting in Ernie Bush's office up
3 in Aztec. He had the pool boundaries from their files
4 there, and I simply excerpted those and transferred
5 them to one map.

6 MR. CARR: Mr. Stogner, if it would be
7 easier, I don't think that Exhibit 1 is controlling in
8 the case, and it was merely a general orientation
9 plan.

10 I have no objection to not admitting that
11 and standing on the information in 2, 3, and 4.

12 HEARING EXAMINER: There is some
13 discrepancies with what we have on our record and
14 Exhibits 2, 3 and 4. What I would like is to have you
15 resubmit Exhibit 1 --

16 MR. CARR: We will.

17 THE WITNESS: Sure, be glad to.

18 HEARING EXAMINER: -- from the records of
19 the nomenclature either in Aztec or here, if you
20 would, but I do not want to see this Exhibit 1, and I
21 will hand this back to you.

22 MR. CARR: What we will do then is we will
23 withdraw Exhibit 1 and move admission of 2 through 6.
24 And with your permission, between now and the 15th, we
25 will submit a revised Exhibit 1.

1 HEARING EXAMINER: Thank you, Mr. Carr, and
2 I'll hand you back this Exhibit No. 1.

3 MR. CHAVEZ: At this time Exhibit --
4 I'm sorry. Mr. Chavez?

5 (Thereupon, a discussion was held
6 off the record.)

7 HEARING EXAMINER: Exhibits 2 through 4; is
8 that correct?

9 MR. CARR: Through 6.

10 HEARING EXAMINER: Exhibits 2 through 6
11 will be admitted into evidence.

12 For notification purposes, this case will
13 be continued to the examiner's hearing scheduled for
14 November 15, 1989.

15 Will you be submitting additional evidence
16 at that time, Mr. Carr?

17 MR. CARR: We will submit nothing but a
18 revised Exhibit 1 and an affidavit with attached
19 evidence on notice.

20 HEARING EXAMINER: Are there any questions
21 of this witness at this time?

22 I have no questions. You may be excused.

23 This case will be continued to the
24 examiner's hearing scheduled for November 15, 1989.

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CERTIFICATE OF REPORTER


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

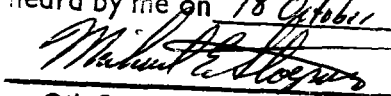
I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate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

WITNESS MY HAND AND SEAL November 13, 1989.


DEBORAH O'BINE
CSR No. 127

My commission expires: August 10, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9791, heard by me on 18 October, 1989.

_____, Examiner
Oil Conservation Division