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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9837

EXAMINER HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer
Drilling Corporation for Amendment
of Division Order No. R-3401,
Rio Arriba County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

November 29, 1989

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FOR THE DIVISION:

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COMPANY:

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I N D E X

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1 HEARING EXAMINER: This hearing will come
2 to order in Case Number 9837, which is the application
3 of Benson-Montin-Greer Drilling Corporation for
4 amendment of Division Order No. R-3401, as amended,
5 Rio Arriba County, New Mexico.

6 Call for appearances at this time.

7 MR. CARR: May it please the Examiner, my
8 name is William F. Carr with the law firm of Campbell
9 & Black, P.A. We represent Benson-Montin-Greer
10 Drilling Corporation, and I have one witness.

11 MR. EMMONS: My name is Larry N. Emmons,
12 and I am appearing for Amoco Production Company.
13 Amoco would like to be a party of record, and I would
14 like to make a statement at the end of the testimony.

15 HEARING EXAMINER: Your affiliation with
16 Amoco?

17 MR. EMMONS: I am an engineer.

18 HEARING EXAMINER: Okay. Amoco's
19 appearance is so noted; and you wish to make a closing
20 statement at the end. Okay. If I forget you, stand
21 up and holler.

22 MR. EMMONS: Okay.

23 HEARING EXAMINER: Are there any other
24 appearances?

25 Mr. Carr.

1 MR. CARR: At this time I'll call Albert R.
2 Greer, who needs to be sworn.

3 ALBERT R. GREER,
4 Called as a witness herein, after having been first
5 duly sworn upon his oath, testified as follows:

6 EXAMINATION

7 BY MR. CARR:

8 Q. Will you state your full name and place of
9 residence.

10 A. Albert R. Greer, G R E E R, Farmington.

11 Q. Mr. Greer, by whom are you employed and in
12 what capacity?

13 A. Benson-Montin-Greer Drilling Corporation;
14 I'm an officer and an engineer.

15 Q. Have you previously testified before this
16 division?

17 A. Yes, sir.

18 Q. At the time of your previous testimony,
19 were your credentials as a petroleum engineer accepted
20 and made a matter of record?

21 A. Yes, sir.

22 Q. Are you familiar with the application filed
23 in this case?

24 A. Yes, sir.

25 Q. Are you the operator of the West Puerto

1 Chiquito-Mancos Pools project?

2 A. Yes.

3 MR. CARR: Are the witness's qualifications
4 acceptable?

5 HEARING EXAMINER: They are.

6 Q. Mr. Greer, would you just briefly state
7 what Benson-Montin-Greer Drilling Corporation seeks
8 with this application?

9 A. Yes, sir. We currently are injecting not
10 only gas produced from the project area, the pressure
11 maintenance project area, but extraneous gas brought
12 in from outside the project area. And the existing
13 rules do not provide for an allowable to market
14 extraneous gas when it comes time to market it.

15 And what we seek now is an allowable for
16 extraneous gas injected in the pressure maintenance
17 project area for the time when we want to market it,
18 so that the sale of this gas will not affect the
19 allowables of the other wells.

20 Q. Mr. Greer, would you identify what has been
21 marked as Benson-Montin-Greer Exhibit 1, and then
22 review the information on that exhibit for Mr.
23 Stogner?

24 A. Yes, sir. This is an orientation plat. It
25 shows the West Puerto Chiquito-Mancos Pools, and

1 within it the Canada Ojitos Unit. The boundaries of
2 the unit are identified. It occupies the major part
3 of the pool, the central and southwest part.

4 The pressure maintenance project area
5 covers all of the Canada Ojitos Unit, except the west
6 tier of sections. And that's the main thing we want
7 to show here.

8 Q. Mr. Greer, would you refer to what has been
9 marked as Benson-Montin-Greer Exhibit 2? Identify
10 that and review that for Mr. Stogner.

11 A. Exhibit 2 is a copy of the special rules
12 for the pressure maintenance project within the Canada
13 Ojitos Unit which lies in the West Puerto
14 Chiquito-Mancos pools.

15 Q. "Rule 1" sets out the project area. That
16 acreage has been expanded from time to time, is that
17 not correct?

18 A. Yes, sir. What's shown in Rule 1 is the
19 initial project area, and it has been expanded from
20 time to time by administrative authority until the
21 last expansion, and that was approved following some
22 hearings which culminated in an order effective August
23 1, 1988.

24 Q. And the acreage now includes all of that
25 acreage depicted on Exhibit 1 as being within the

1 project area, isn't that correct?

2 A. Yes, sir.

3 Q. Rule 5 of these rules provides for a
4 320-acre proration unit. The spacing in this pool has
5 subsequently been changed to 640, is that correct?

6 A. Yes, sir.

7 Q. So that provision has, likewise, been
8 superseded?

9 A. Yes.

10 Q. Now refer to what has been marked as
11 Benson-Montin-Greer Exhibit 3. Identify that and then
12 review what's on that exhibit with the Examiner.

13 A. This is one suggestion that we had for
14 changing Rules 7, 8 and 9. And, of course, we
15 understand that the Division will write the rules as
16 it sees fit, but this is a suggestion which points out
17 what we're seeking.

18 Rule 7, we would add just this one
19 paragraph at the end of rule 7, which simply says,
20 "Allowable is provided for excess gas injection. The
21 intent of this provision is to increase the Unit's
22 total allowable by an amount equal to the excess of
23 gas injected over that produced as a consequence of
24 acquiring (non-project area) gas."

25 Then, on Rule 8, I believe it's exactly the

1 same as the existing Rule 8 to the bottom one, two,
2 three, four, five, about six lines. The existing Rule
3 8 requires a project operator, within three days of
4 the end of the month, to submit information to the
5 Division, and from that, allowables are calculated.

6 During the recent special testing of the
7 West Puerto Chiquito-Gavilon oil pools, the operators
8 were required to check their wells during each month
9 in an effort to not ever be overproduced. And, as a
10 consequence, we began filing the pressure maintenance
11 report as a current report, rather than one in which
12 allowables are calculated and forecast for the next
13 succeeding month.

14 And that seems to be, really, a more
15 practical way of doing it. So we suggest here that at
16 the end of--within three weeks following the end of
17 the month, that the report be submitted and that it
18 simply cover the month that's being reported.

19 And then, if there's any overproduction, if
20 the gas ratios of the well have changed during the
21 month, why, that's taken into account. So it's not
22 necessary, then, to calculate a new allowable and try
23 to balance last month's allowables with the next
24 month's allowables. So we think this will reduce the
25 paperwork considerably, and also our time.

1 And that really no change from what we're
2 doing now, but it is a change from the way the rules
3 are written.

4 And then Rule 9, the last sentence is the
5 same as the existing Rule 9, and here we just simply
6 say that the Commission, after reviewing the report,
7 will determine if there's any adjustments necessary to
8 bring allowables and production into balance. And
9 that's about all that that is.

10 Q. Have you reviewed these proposed rule
11 changes with the Aztec District Office of the Oil
12 Conservation Division?

13 A. Yes, sir.

14 Q. Would you identify what has been marked as
15 Benson-Montin-Greer Exhibit No. 4?

16 A. Yes, sir. This is an affidavit setting out
17 the information with respect to notice, as required by
18 the regulations.

19 Q. Mr. Greer, if this application is granted,
20 what benefits will result from these rule changes?

21 A. Well, for one thing, it will let us move
22 more gas through the reservoir and, as a consequence,
23 that could result, we think it will result, in the
24 additional oil recovery from the project.

25 Q. So granting this application would prevent

1 the waste of hydrocarbons?

2 A. Yes, sir.

3 Q. Would granting this application impair the
4 correlative rights of any interest owner in the area?

5 A. No, sir.

6 Q. Were Exhibits 1 through 4 either prepared
7 by you or compiled under your direction or
8 supervision?

9 A. Yes, sir.

10 Q. Do you have anything further to add to your
11 testimony?

12 A. Well, yes. After visiting with Frank
13 Chavez and also with Vic Lyon, they raised the
14 question that since we have been considering possibly
15 a gas processing plant, that it should be in the rules
16 that liquids which are recovered from field separators
17 would apply against the oil allowable. Liquids that
18 might be recovered from the gas processing plant
19 should not be charged against the oil allowable.

20 So we would request that that be
21 considered.

22 Q. And you're in accord with that
23 recommendation?

24 A. We are in accord with it. Also there's a
25 suggestion that we should include, and, of course, the

1 recommendation we make is that we file such reports
2 and forms as the commission may devise, but among
3 other things, we should report the standing of the
4 overinjection at the end of each month.

5 Q. Do you have anything further to add to your
6 testimony?

7 A. That's all.

8 MR. CARR: If they were not already
9 admitted, I would move the admission of
10 Benson-Montin-Greer Exhibits 1 through 4 at this time.

11 HEARING EXAMINER: Exhibits 1 through 4
12 will be admitted into evidence.

13 MR. CARR: I have nothing further on direct
14 examination of Mr. Greer.

15 HEARING EXAMINER: Mr. Greer, you just got
16 through testifying now of some additional suggestions
17 from the Chief Engineer here at the OCD, and the
18 district office director/supervisor at Aztec.

19 Would that be in the form of another rule?
20 I'm a little confused about how that would be
21 incorporated in this Order.

22 THE WITNESS: Well, it's my understanding
23 that the Division, and particularly the Examiner, will
24 write the rules. And they thought it would be good or
25 proper to have in the record of the hearing these

1 suggestions. And, of course, just how the Examiner
2 will decide to write them up, why, of course that's
3 going to be up to the Examiner.

4 My thought is that Rule 8 could be modified
5 just a little bit and Rule 9 just a little bit, to
6 take those things into account. Rule 7, of course,
7 addresses the oil allowables, so perhaps that would be
8 the place to introduce the liquid recovery and how it
9 would affect allowables.

10 HEARING EXAMINER: Mr. Carr, I am going to
11 suggest that perhaps you submit me a rough draft--

12 MR. CARR: I'll be happy to do that.

13 HEARING EXAMINER: --with these suggestions
14 in there, and let me know how they differ from what
15 Exhibit No. 3 is, since it sounds like, according to
16 Mr. Greer, that perhaps these additions can be
17 incorporated in these rules.

18 MR. CARR: I'll also provide those to both
19 Amoco and Mobile, since they've appeared.

20 HEARING EXAMINER: When do you think you
21 might have those to me, keeping in mind that I'll be
22 starting on vacation December 9th.

23 MR. CARR: I'll have them to you before you
24 go on vacation, and in enough time that you can review
25 them before you leave.

1 HEARING EXAMINER: I would suggest you get
2 with Mr. Chavez and Mr. Lyon on that, too.

3 With that, I have no other questions of Mr.
4 Greer.

5 MR. CARR: I have nothing further.

6 HEARING EXAMINER: If there are no other
7 questions of this witness, he's excused.

8 Mr. Emmons.

9 MR. EMMONS: The application that Amoco
10 received regarding this case stated, on Item 4, "The
11 Applicant now seeks..." and to paraphrase, it says,
12 "to permit it to accumulate gas injection credits on
13 an annual basis."

14 It now appears that based on the testimony
15 and what we've heard today that that's no longer
16 requested. If that's in fact the case, Amoco doesn't
17 have any opposition to the application.

18 HEARING EXAMINER: Mr. Carr, do you want to
19 address that?

20 MR. CARR: I think we're before you asking
21 for permission to cumulate the allowable; and based on
22 what Mr. Greer has said and looking at paragraph 4, it
23 states, "And to establish procedures for reporting
24 and, otherwise, accounting for this credit to the
25 Division."

1 I think what we're seeking falls within
2 that paragraph.

3 HEARING EXAMINER: Pursuant to the
4 advertising which says, "The gas injection credits on
5 an annual basis," you're not requesting that? It's
6 just on a cumulative basis?

7 MR. CARR: That is correct, Mr. Stogner.

8 HEARING EXAMINER: Anybody else have
9 anything further in Case 9737? Hearing nothing
10 further, this case will be taken under advisement.

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1 CERTIFICATE OF REPORTER

2

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

5

6 I, Carla Diane Rodriguez Certified
 7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
 8 that the foregoing transcript of proceedings before
 9 the Oil Conservation Division was reported by me; that
 10 I 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 December 3, 1989.

18

19

Carla Diane Rodriguez
 CARLA DIANE RODRIGUEZ
 CSR No. 91

20

21 My commission expires: May 25, 1991

22

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25

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Exominer hearing of Case No. 9837,
 heard by me on 29 November 1989.

Michael T. Siqueira
 Michael T. Siqueira, Director
 Oil Conservation Division