

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Tahoe Energy Case 9841  
Inc. for four non-standard  
gas proration units, Lea County,  
New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

December 13, 1989

**ORIGINAL**

CUMBRE COURT REPORTING  
(505) 984-2244

## A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Divison  
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: WILLIAM F. CARR, ESQ.

## I N D E X

## Page Number

Appearances

2

KENNETH A. FREEMAN

Direct Examination by Mr. Carr

5

Cross-Examination by Hearing Examiner

11

Certificate of Reporter

15

## E X H I B I T S

Exhibit No. 1

7

Exhibit No. 2

8

Exhibit No. 3

9

Exhibit No. 4

10

1 HEARING EXAMINER: Call the hearing back to  
2 order, and at this time call Case 9841.

3 MR. STOVALL: Application of Tahoe Energy  
4 Inc., for four nonstandard gas proration units, Lea  
5 County, New Mexico.

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

10 HEARING EXAMINER: Any other appearances?  
11 Will the witness please stand and be sworn  
12 in?

13 (Witness sworn.)

14 MR. CARR: May it please the Examiner,  
15 there was an error in the notice letter that was sent  
16 out concerning this matter in one description. We  
17 have corrected that. We request permission to put the  
18 case on today, have it continued to the 27th, and at  
19 that time the case will be taken under advisement.

20 We have received waivers from some of the  
21 offsetting operators, in effect, waivers from the  
22 operators about whom there was some concern; so we do  
23 not anticipate any appearances on the 27th, but the 20  
24 days has not run.

25 MR. STOVALL: Mr. Carr, you said the

1 operators to whom the notice was defective have now  
2 waived?

3 MR. CARR: Not all of them. The ones we  
4 were concerned about, however, have; so we're not  
5 worried about having to have an additional hearing on  
6 the 27th, but the 20 days has not run; so at the end  
7 of the case, we will ask it be continued to the 27th.

8 MR. STOVALL: But the waiver wasn't  
9 sufficient to waive any notice deficiencies?

10 MR. CARR: No, not for all interest owners.

11 MR. STOVALL: Okay.

12 HEARING EXAMINER: Mr. Carr, if we continue  
13 to the 27th, will they have had 21 days corrected  
14 notice?

15 MR. CARR: Yes, they will. Notice was sent  
16 out on December the 1st with the corrected  
17 description.

18 HEARING EXAMINER: All right.

19 KENNETH A. FREEMAN,  
20 the witness herein, after having been first duly sworn  
21 upon his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Will you state your full name for the  
25 record, please.

1 A. Kenneth A. Freeman.

2 Q. Mr. Freeman, where do you reside?

3 A. Midland, Texas.

4 Q. By whom are you employed and in what  
5 capacity?

6 A. I'm an independent oil and gas operator and  
7 the president of Tahoe Energy, Inc.

8 Q. Have you previously testified before the  
9 Oil Conservation Division?

10 A. Yes, I have.

11 Q. At the time of that testimony, were your  
12 credentials accepted and made a matter of record?

13 A. Yes.

14 Q. Were you qualified as a petroleum engineer  
15 at that time?

16 A. Yes, I was.

17 Q. Are you familiar with the application filed  
18 in this case on behalf of Tahoe Energy, Inc.?

19 A. Yes.

20 Q. Are you familiar with the subject area?

21 A. Yes.

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

24 HEARING EXAMINER: They are.

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

1 briefly state what Tahoe seeks with this application?

2 A. Approval of four nonstandard proration  
3 units in the Jalmat Gas Pool, Lea County, New Mexico.

4 Q. Have you prepared certain exhibits for  
5 presentation here today?

6 A. Yes.

7 Q. Would you identify and review for Mr.  
8 Catanach what has been marked as Tahoe Exhibit No. 1?

9 A. Exhibit No. 1 shows the proposed  
10 nonstandard proration units. Three of them consist of  
11 the 160-plus acres; the other is 120-plus acres. It  
12 shows where the proposed well locations will be, and  
13 it also shows the offset owners.

14 Q. What is the current status of development  
15 of this acreage?

16 A. This is a farmout, and it needs to be  
17 developed. It originally had a spud date or  
18 commencement date of 1-1-1990. And due to the error  
19 in the notification of the offset owners, we were able  
20 to get a 30-day extension, which now puts us -- the  
21 first well has to be commenced by February the 1st.

22 Q. Would you refer to the second page of  
23 Exhibit No. 1 and identify that, please.

24 A. Page 2 is the outline of the 600-acre  
25 farmout. There's two wells circled there. They were

1 originally Jalmat gas wells that have been plugged and  
2 abandoned.

3 Q. At this time is there any Jalmat production  
4 on the acreage that is governed by the farmout from  
5 Mobil?

6 A. No.

7 Q. Could you identify for Mr. Catanach Exhibit  
8 No. 2?

9 A. That is a copy of the Jalmat pool rules.

10 Q. What are the well location requirements as  
11 set forth in these rules for 160-acre spacing?

12 A. 660 foot from the lease boundary.

13 Q. Are all of the wells which you propose to  
14 drill on the nonstandard proration units standard  
15 locations based on these pool rules?

16 A. Yes, they are.

17 Q. Could you explain to Mr. Catanach why this  
18 basic development pattern was selected?

19 A. Yes. I'd say that previously it was a  
20 600-acre farmout, and keeping in mind the two existing  
21 wells that have been produced and plugged and  
22 abandoned, I set up north-south proration units or  
23 proposed proration units of 160 acres, and the fourth  
24 one, the furthest to the west, has 120 acres in it  
25 because that's all that's in the acreage on the



1 farmout.

2 Q. In your opinion, is all of the subject  
3 acreage capable of production from the Jalmat Gas  
4 Pool?

5 A. Yes, it is.

6 Q. What is the status of the east half of the  
7 east half of Section 3?

8 A. That's federal mineral ownership, and Mobil  
9 has it.

10 Q. How soon do you actually plan to commence  
11 the development of this acreage?

12 A. Probably a week after regulatory approval.  
13 We have the rigs set up.

14 Q. Would you identify for Mr. Catanach what  
15 has been marked as Tahoe Exhibit No. 3?

16 A. Yes. It's a letter to the offset owners  
17 requesting formation or notifying them of our proposal  
18 of nonstandard gas proration units.

19 Q. From whom have you received a waiver at  
20 this time?

21 A. We have received waivers from everyone,  
22 with the exception of Larry Nermer.

23 Q. Let's go to the second page of Exhibit No.  
24 3 and ask you to identify, based on that, from whom  
25 you've received actually the waivers by name.

1           A.       We've received waivers from Lewis B.  
2 Burleson, Inc., from Mobil Exploration and Producing  
3 Company, from Arco Oil and Gas Company, by Doyle  
4 Hartman.

5           Q.       And the other interest owners that are set  
6 forth on page 2 for whom you do not have signatures  
7 have not yet waived. Is it their objection to this  
8 application?

9           A.       Correct.

10          Q.       Let's go to Exhibit No. 4, and I would ask  
11 you if you could identify what Exhibit No. 4 is?

12          A.       Exhibit No. 4 is an application of Tahoe  
13 Energy for four nonstandard gas proration units.

14          Q.       Does this contain the notice letter that  
15 was sent on December 1 to all offsetting interest  
16 owners?

17          A.       Yes. This is the corrected copy reflecting  
18 Township 25 South where it was originally. It was  
19 showed to be Township 24 South.

20          Q.       In your opinion, will granting of this  
21 application be in the best interests of conservation,  
22 the prevention of waste, and the protection of  
23 correlative rights?

24          A.       Yes.

25          Q.       Were Exhibits 1 through 4 either prepared

1 by you or compiled at your direction?

2 A. Yes.

3 MR. CARR: At this time, Mr. Catanach, we  
4 would move the admission of Tahoe Exhibits 1 through  
5 4.

6 HEARING EXAMINER: Exhibits 1 through 4  
7 will be admitted as evidence.

8 MR. CARR: That concludes my direct  
9 examination of Mr. Freeman.

10 CROSS-EXAMINATION

11 BY HEARING EXAMINER:

12 Q. Mr. Freeman, why would you develop this  
13 acreage with four proration units instead of a single  
14 600-acre proration unit?

15 A. Primarily, the field rule is 160 acres for  
16 a proration unit, and that was the main consideration  
17 in the farmout with Mobil, that it be developed on the  
18 standard 160's.

19 Q. The Jalmat is 640-acre standard units.

20 A. Yes, but you get an allowable of one for a  
21 160-acre tract, and this field has produced for a long  
22 period of time, and there's concern over low bottom  
23 hole pressures.

24 In the farmout agreement, we have to run a  
25 repeat formation tester on the various zones to take

1 samples of fluid, as well as the pressures, and they  
2 felt like that it needed to be, due to the low  
3 pressure, developed on 160's. And this is what I  
4 agreed to.

5 Q. There have been wells drilled, did you say,  
6 within the 600 acres?

7 A. Yes. Exhibit 2 shows, with the circle  
8 around the wells, as inside the outlined yellow  
9 color. These were completed as Jalmat gas wells and  
10 have been plugged. I don't have the plugging date  
11 with me, but we could find that out through the  
12 Commission files, I'm sure.

13 Q. Do you have an idea how the offset acreage  
14 is developed in the Jalmat? What I'm saying is, do  
15 you know what proration units your offset operators  
16 have in terms of Jalmat production?

17 A. Well, to the north there is not a Jalmat  
18 well on the immediate acreage. Neither is there to  
19 the east. To the west, however, there's been  
20 development. Doyle Hartman had developed that.  
21 There's two wells that are developed on 40-acre  
22 tracts. And that has since been acquired by  
23 Meridian. It would be offsetting the proposed No. 4  
24 location. You can see there's a No. 1 and 2 that has  
25 Meridian by it.

1                   So the development has varied from 40 acres  
2 on up.

3           Q.       Some operators have used 40 acres for gas?

4           A.       Yes.

5           Q.       So the primary operator in Section 4 would  
6 be Meridian at this point?

7           A.       Yes.

8           Q.       Was Meridian notified?

9           A.       Yes, they were.

10          Q.       Did you get a waiver from Meridian?

11          A.       I have not heard from Meridian, no.

12          Q.       Do you know if Mobil intends to develop the  
13 east half of the east half of Section 3?

14          A.       The status on that is, in the farmout  
15 agreement, after the well is drilled, they have  
16 several -- well, three days to decide whether they  
17 were joined or not. I would assume -- what I was told  
18 is that if the wells come in real good, that they  
19 would develop it. If not, there's arrangements been  
20 made where it will be added to the existing farmout of  
21 this 600 acres.

22          Q.       I see.

23          A.       And then we'll have an option to drill it  
24 or not.

25          Q.       So in terms of your forming these four

1 nonstandard units, is it your opinion it's not going  
2 to throw everything off as far as the acreage outside  
3 being developed? I mean it's not going to throw the  
4 pattern off?

5 A. In my opinion, it will not. As an example,  
6 in Section 34, we're currently working with Arco and  
7 think we've reached a tentative agreement at this  
8 point to acquire that tract, which would be the south  
9 half of the south half. We will develop it also if  
10 everything falls into place.

11 Q. If you do get the Arco acreage and the  
12 Mobil acreage, you will continue to develop those on  
13 160's?

14 A. Yes.

15 HEARING EXAMINER: I believe that's all the  
16 questions I have of the witness.

17 You may be excused, and we'll go ahead and  
18 continue this case to the December 27th docket.

19  
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## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) ss.  
5 COUNTY OF SANTA FE )

6 I, Freda Simmons, 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 February 18, 1989.

18 *Freda Simmons*  
19 FREDA SIMMONS

20  
21  
22  
23 *December 13 1989*  
24 *David R. Catana*  
25 *Oil Conservation Division*

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

EXAMINER HEARING

IN THE MATTER OF: Case 9841

Application of Tahoe Energy, Inc.,  
For four nonstandard gas proration  
Units, Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
January 10, 1990

**ORIGINAL**



## A P P E A R A N C E S

FOR THE OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.  
State Land Office Building  
Santa Fe, New Mexico 87501

## I N D E X

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Page Number

Appearances

2

Certificate of Reporter

5

1 MR. CATANACH: At this time we'll call case  
2 9841.

3 MR. STOVALL: Application of Tahoe Energy  
4 Inc., for four nonstandard gas proration units, Lea  
5 County, New Mexico.

6 MR. CATANACH: It's my understanding this  
7 case was heard on December 13, 1989, and was continued  
8 and readvertised due to an error in notification.

9 Are there any additional appearances at this  
10 time? There being none, Case 9841 will be taken under  
11 advisement.

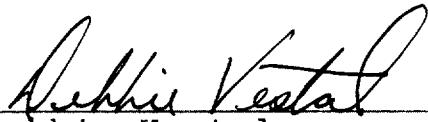
## CERTIFICATE OF REPORTER

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


I, Debbie Vestal, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Examiner of 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 February 10, 1990.

  
Debbie Vestal  
CSR No. 400

I do hereby certify that the foregoing is a complete record of the proceedings in the Examining hearing of Case No. 941 heard by me on January 10 1990.

  
\_\_\_\_\_, Examiner  
Oil Conservation Division