

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

Cases: 9870, 9863, 9864, 9873, 9819,
9875, 9876, 9877, 9878, 9827

CONTINUATIONS AND DISMISSALS
FROM THE EXAMINER HEARING

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

February 21, 1990

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

1 HEARING EXAMINER: This hearing will come
2 to order for Docket No. 6-90. I'm Michael E. Stogner,
3 today's hearing officer, February 21, 1990. I'll
4 start out first by calling the continued and dismissed
5 cases.

6 Page 1, I'll start with Case 9870.

7 MR. STOVALL: Application of Siete Oil &
8 Gas Corporation for special pool rules, Eddy County,
9 New Mexico.

10 Applicant requests this case be continued
11 to March 7, 1990.

12 HEARING EXAMINER: Case No. 9870 will be so
13 continued.

14 * * * * *

15 HEARING EXAMINER: I'll call next case, No.
16 9873.

17 MR. STOVALL: Application of Hixon
18 Development Company for compulsory pooling, San Juan
19 County, New Mexico.

20 Applicant requests this case be continued
21 to March 21, 1990.

22 HEARING OFFICER: Case No. 9863 will be so
23 continued.

24 * * * * *

25 HEARING EXAMINER: Call next case, No.

1 9864.

2 MR. STOVALL: Application of Hixon
3 Development Company for compulsory pooling and an
4 unorthodox gas well location, San Juan County, New
5 Mexico.

6 Applicant requests this case be dismissed.

7 HEARING OFFICER: Case No. 9864 is hereby
8 dismissed.

9 * * * * *

10 HEARING EXAMINER: Call next case, No.
11 9873.

12 MR. STOVALL: Application of Tahoe Energy,
13 Inc., for an unorthodox gas well location, nonstandard
14 gas proration unit and simultaneous dedication, Lea
15 County, New Mexico.

16 Applicant requests this case be continued
17 to March 7, 1990.

18 HEARING OFFICER: Case No. 9873 will be so
19 continued.

20 * * * * *

21 HEARING EXAMINER: On the second page, I'll
22 call next case, No. 9819.

23 MR. STOVALL: The application of Blackwood
24 & Nichols Company, Ltd., for compulsory pooling and an
25 unorthodox gas well location, San Juan and Rio Arriba

1 Counties, New Mexico.

2 Applicant requests this case be continued
3 to March 7, 1990.

4 HEARING OFFICER: Case No. 9819 will be so
5 continued.

6 * * * * *

7 HEARING EXAMINER: I'll call next case, No.
8 9875.

9 MR. STOVALL: Application of Explorers
10 Petroleum Corporation for compulsory pooling, Eddy
11 County, New Mexico.

12 Applicant requests this case be dismissed.

13 HEARING OFFICER: Case 9875 is hereby
14 dismissed.

15 * * * * *

16 HEARING EXAMINER: Call next case, No.
17 9876.

18 MR. STOVALL: Application of Explorers
19 Petroleum Corporation for compulsory pooling, Eddy
20 County, New Mexico.

21 Applicant requests this case be dismissed.

22 HEARING OFFICER: Case No. 9876 is hereby
23 dismissed.

24 * * * * *

25 HEARING EXAMINER: Call next case, No.

1 9877.

2 MR. STOVALL: Application of Explorers
3 Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 Applicant requests this case be dismissed.

6 HEARING OFFICER: Case No. 9877 is hereby
7 dismissed.

8 * * * * *

9 HEARING EXAMINER: Call next case, No.
10 9878.

11 MR. STOVALL: Application of Chevron USA
12 Inc. for a nonstandard gas proration unit and
13 simultaneous dedication, Lea County, New Mexico.

14 This case needs to be continued and
15 readvertised for March 7, 1990.

16 HEARING EXAMINER: Case No. 9878 will be
17 continued and readvertised for the Examiner's Hearing
18 scheduled for March 7, 1990.

19 * * * * *

20 HEARING EXAMINER: On the third page, I'll
21 call Case No. 9827.

22 MR. STOVALL: Application of Exxon
23 Corporation for special casinghead gas allowable, Lea
24 County, New Mexico.

25 Applicant requests this case be dismissed.

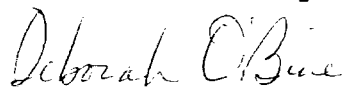
1 CERTIFICATE OF REPORTER

2
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.

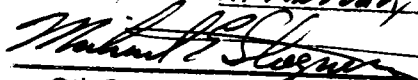
13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL February 21, 1989.

18 
19 DEBORAH O'BINE
20 CSR No. 127

21 My commission expires: August 10, 1990
22

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Ex parte hearing of Case No. 9873,
heard by me on 21 February 1990.


Michael J. Sweeney, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9873

EXAMINER HEARING

IN THE MATTER OF:

Application of Tahoe Energy, Inc., for an
Unorthodox Gas Well Location, Nonstandard
Gas Proration unit and Simultaneous Dedication,
Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

March 7, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

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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Exhibit 2 8

Exhibit 3 9

Exhibit 4 9

Exhibit 5 11

1 EXAMINER CATANACH: We'll call Case 9873.

2 MR. STOVALL: Application of Tahoe Energy,
3 Inc., for an unorthodox gas well location, nonstandard
4 gas proration unit and simultaneous dedication, Lea
5 County, New Mexico.

6 EXAMINER CATANACH: Appearances in this
7 case?

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

12 EXAMINER CATANACH: Any other
13 appearances? Will the witness please stand and be
14 sworn.

15 (Thereupon, the witness was sworn.)

16 KENNETH A. FREEMAN

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

19 EXAMINATION

20 BY MR. CARR:

21 Q. Will you state your full name for the
22 record, please.

23 A. Kenneth A. Freeman.

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

25 A. Midland, Texas.

1 Q. By whom are you employed and in what
2 capacity?

3 A. I work for Tahoe Energy. I'm the
4 president.

5 Q. Have you previously testified before the
6 Oil Conservation Division?

7 A. I have.

8 Q. Were your credentials accepted and made a
9 matter of record at that time?

10 A. They were.

11 Q. And how were you qualified, as a petroleum
12 engineer?

13 A. Yes.

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

16 A. Yes.

17 Q. Are you familiar with the subject acreage
18 and the wells you proposed to simultaneously dedicate
19 thereon?

20 A. Yes, I am.

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

23 EXAMINER CATANACH: They are.

24 Q. Mr. Freeman, would you briefly state what
25 Tahoe seeks with this application?

1 A. We seek approval of an unorthodox location
2 in the Jalmat gas pool and the simultaneous dedication
3 of the new well with the existing King Gas Com #1
4 well.

5 Q. Would you identify what has been marked as
6 Tahoe Exhibit 1 and review this exhibit for Mr.
7 Catanach.

8 A. Exhibit 1 shows the well locations.
9 They're in color. It identifies the offset
10 operators. And then in the center part, the white, it
11 shows the 160 acres dedicated to the King Gas Com #1.

12 Q. Is that well currently producing from the
13 Jalmat pool?

14 A. Yes.

15 Q. And that well is the well with the gas
16 symbol around it with the "1" in the southwest quarter
17 of the 160 that you propose to dedicate to these
18 wells?

19 A. Yes.

20 Q. Is all of the offsetting acreage dedicated
21 to Jalmat wells?

22 A. No, it isn't.

23 Q. Could you just go around the subject well
24 and review for Mr. Catanach the status in the Jalmat
25 of the offsetting tracts, particularly in Section 12.

1 A. To the north, colored green, is the Conoco
2 acreage. The 80 acres directly to the north is
3 dedicated, and the acreage to the east is dedicated.
4 The yellow, which is Parker and Parsley is dedicated,
5 and the acreage to the south, the 80 acres or the
6 south half of the southwest quarter is not dedicated.

7 The Chevron acreage to the west is
8 dedicated, it is colored pink, and then the blue is
9 Rasmussen or the Williams partnership. It is also
10 dedicated. So everything is dedicated but the 80
11 acres directly to the south that is Conoco.

12 Q. The 80 acres due north, the Conoco tract,
13 is the well on that tract currently producing to the
14 Jalmat or has it been abandoned?

15 A. It has been plugged and abandoned.

16 Q. When did Tahoe Energy actually acquire its
17 interest in Section 12?

18 A. In May 1989.

19 Q. Could you provided Mr. Catanach with the
20 exact footage locations of the two wells that you
21 propose to simultaneously dedicate on this tract?

22 A. Yes. The existing King Gas Com #1 is 2310
23 foot from the south line and 990 foot from the west
24 line. And the proposed new well would be 2000 foot
25 from the north line and 1500 foot from the west line.

1 Q. All of these wells are at least 660 feet
2 from the outer boundary of the dedicated acreage, are
3 they not?

4 A. Yes.

5 Q. And this well is unorthodox because it is
6 too close to a quarter-quarter section line interior
7 to this unit?

8 A. That is correct.

9 Q. Being 1500 feet from the west line, that
10 puts it only about 180 feet off a quarter-quarter
11 section line?

12 A. Yes, instead of 330.

13 Q. Could you refer to Exhibit No. 2, identify
14 this and review that information for the Examiner,
15 please.

16 A. Exhibit No. 2 is the actual monthly
17 production of the King Gas Com #1 well by itself. For
18 the year it produced 7,776 Mcf, and the allowable for
19 a standard 160-acre prorated gas unit would have been
20 87,600 Mcf. Therefore, leaving an underproduced or
21 not capable of producing amount of 79,824 Mcf, based
22 on 1989.

23 Q. What is your objective with this
24 application?

25 A. It is to be able to obtain or get the

1 160-acre proration unit where it can be able to
2 produce its allowable.

3 Q. Mr. Freeman, you're seeking authority to
4 simultaneously dedicate these two wells in the Jalmat?

5 A. Yes, we are.

6 Q. This is a prorated pool, is it not?

7 A. Yes, it is.

8 Q. If simultaneous dedication is approved, how
9 do you recommend the allowable be allocated between
10 the wells on the unit?

11 A. Any proportion between the two wells.

12 Q. Is a log of the existing King Gas Com #1
13 well on file with the Division?

14 A. Yes. As far as I know it is. If there
15 isn't, I have a copy of it.

16 Q. Would you identify what has been marked as
17 Tahoe Exhibit No. 3?

18 A. It's the rules of the Jalmat gas pool.

19 Q. What particular rule has caused you to come
20 in and seek an unorthodox well location?

21 A. Well, it's Rule 2(B)(1) where a gas well
22 has to be 330 foot from a quarter-quarter section
23 line, and this existing well will be 180 foot from an
24 existing quarter-quarter.

25 Q. Would you now identify Tahoe Exhibit No. 4?

1 A. This is an application of Tahoe for this
2 hearing that was sent to the offset owners. We have
3 received the signed approval from everyone except
4 Conoco.

5 Q. What is the status of this matter with
6 Conoco?

7 A. I had talked to Mr. Hugh Ingram. He had
8 called me and said that they were dropping any
9 objection that they thought about having, and that
10 they had talked with the Oil Conservation Commission
11 previous to giving me a call and they had no
12 opposition to it.

13 Q. Had they originally had some concern about
14 the possibility of an existing com. agreement on the
15 northwest quarter of this section?

16 A. Yes. Back in 1960 I think there was some
17 confusion as to what acreage was in this, and there
18 was a trade-off of acreage or something is what we
19 found.

20 Q. Was a com. agreement ever located?

21 A. No.

22 Q. Have you reviewed there proposal with the
23 Bureau of Land Management?

24 A. Yes, I have.

25 Q. What reaction did they have to the

1 application?

2 A. They have no opposition to it. They
3 support it.

4 Q. Is Exhibit No. 5 an affidavit from Campbell
5 & Black confirming that notice of today's hearing has
6 been provided to the offsetting operators?

7 A. Yes.

8 Q. Were Exhibits 1 through 5 either prepared
9 by you or compiled under your direction?

10 A. Yes, they were.

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

13 EXAMINER CATANACH: Exhibits 1 through 5
14 will be admitted as evidence.

15 MR. CARR: That concludes my direct of Mr.
16 Freeman.

17 EXAMINATION

18 BY MR. STOVALL:

19 Q. I do have one question with respect to the
20 location. The new well is the Cochise No. 1, is that
21 correct?

22 A. Yes.

23 Q. I believe in your testimony here a few
24 minutes ago you said it was 1500 from the west line
25 and 2000 from the north line?

1 A. Yes.

2 Q. The application and the letters which went
3 out from Campbell & Black indicate 1980 and 1600
4 feet. Which are the correct numbers?

5 A. It's the 1500 foot. We had it surveyed and
6 there's a pipeline in that vicinity, and the surveyor
7 wanted to move it a hundred foot to the west, so from
8 1600 foot it was 1500 foot and--

9 Q. What does that do in terms of--

10 MR. CARR: That makes it more-- It is
11 still a standard setback from the outer boundary.
12 That makes it 100 feet closer to the quarter-quarter
13 section line--interior quarter-quarter section line.
14 Instead of being 285 feet, I think, it would be 185.

15 MR. FREEMAN: Here's the plan.

16 MR. CARR: Instead of being 280 it's 180
17 feet from the quarter-quarter section line of the
18 lines between Units E and F.

19 MR. STOVALL: Let's take just a minute
20 here.

21 (Discussion off the record.)

22 MR. CATANACH: Mr. Carr, we've determined
23 that the notice is sufficient in this case and it
24 doesn't have to be readvertised.

25 I have just a few questions.

EXAMINATION

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BY EXAMINER CATANACH:

Q. Mr. Freeman, how long has the King Gas Com well been producing?

A. Since, I think, 1956.

Q. Mr. Freeman, what is your understanding of what was dedicated to this well or what acreage was dedicated to this well?

A. All I have is, we bought this package from ARCO in May of 1989, and the existing acreage, the existing 160, was the described acreage that they owned, which was sold. Then, when we decided to drill the second well on this, we found that back in 1960 there was confusion--I guess that's the word to use. I went through the well files and had made copies of the Commission's various order numbers pertaining to this acreage and gave them to Mr. Carr, and we couldn't really tie anything down right, was my understanding.

I mean, Conoco admits that there was an acreage swap. I have this old copy that was in the well file--I assume it's correct--showing where there was acreage traded. And that's all I know.

Q. But this nonstandard proration unit has never officially been approved by the Division?

1 MR. CARR: I can maybe respond to that. We
2 have gone through Division files. We can find NSLs,
3 approval of a nonstandard location for this acreage,
4 but no order ever addresses this nonstandard unit. We
5 have been able to locate an acreage dedication plat
6 dated December 15, 1954, dedicating this tract--it's
7 in the Commission's file, this well file--dedicating
8 this tract to the King #1 well, which is this well.

9 But there in this long scenario there has
10 never been actual approval of the nonstandard
11 proration unit. The well has been producing on it all
12 this time, production has been shared by those owners,
13 but we could never locate actually the piece of paper
14 that approved that unit.

15 A. I would like to add to that, that whenever
16 that was submitted, the offset operators at that time,
17 there is waivers that was in the well file. We have
18 the signed waivers from all the offset operators when
19 it was done in 1954.

20 EXAMINER CATANACH: Is that the latest
21 C-102 that shows in that well file?

22 MR. CARR: It's the only acreage dedication
23 plat there. There are some older ones, the form that
24 had the small graph over on the left side that just
25 has a typed X on this, but there's nothing that shows

1 acreage dedication except this plat.

2 EXAMINER CATANACH: Apparently the Division
3 has recognized this proration unit, although it's
4 never approved it.

5 Q. (BY EXAMINER CATANACH) As far as you can
6 tell, there has never been any other acreage other
7 than the one you're proposing dedicated to this well?

8 A. No, not to the Jalmat.

9 Q. Did you say there was a Conoco well on the
10 north half of the northwest quarter?

11 A. Yes.

12 Q. That's currently a Jalmat gas well?

13 A. It was, and it's been plugged and
14 abandoned. It was the Stevens B #1 well.

15 Q. And the south half of the southwest
16 quarter, what's the status of that acreage?

17 A. It's nondedicated, as far as my knowledge
18 of it.

19 Q. There is no Jalmat gas well in that?

20 A. No.

21 EXAMINATION

22 BY MR. STOVALL:

23 Q. You've indicated Conoco was originally
24 concerned because of that south half of the southwest
25 quarter, is that correct?

1 A. They were originally concerned. I talked
2 to Mr. Ingram and he had looked through the records
3 and he couldn't find anything to tie too, either. So
4 he said they were just dropping any objection that
5 they might have had.

6 It's my understanding he had talked to
7 somebody here with the Commission in reference to
8 that, is what I related to me.

9 EXAMINATION

10 BY EXAMINER CATANACH:

11 Q. Was it Mr. Ingram's impression that there
12 was a com. agreement with the south half of the
13 southwest quarter in portions of your acreage?

14 A. Rephrase that again or ask me that again.

15 Q. What was Conoco's original concern when
16 they said they thought there was a com. agreement?
17 What acreage did they think was involved in that?

18 A. At one time it was my understanding that
19 all of the southwest quarter was in a unit or
20 considered a proration unit. But then, after checking
21 into it further, it was in reference to the
22 Langley-Mattix oil well. They went into this King Gas
23 Com and dually completed it. And at that time, I
24 think that leads to part of the confusion, that they
25 had come and asked for a 160-acre proration unit for

1 the gas well and for the oil well.

2 That's what I interpreted going through the
3 well file and looking at what information was in it.
4 And then they abandoned the Langley-Mattix zone and
5 just completed it as a Jalmat well.

6 Q. To your knowledge, did Conoco ever share in
7 any of the production proceeds from the Jalmat?

8 A. I do not know.

9 MR. STOVALL: Just to have it in the
10 record, I do know that Mr. Ingram has spoken with Mr.
11 Stogner of the Division on this matter, so we're at
12 least aware that Conoco knows that this situation
13 exists.

14 EXAMINER CATANACH: Anything else? I have
15 no further questions of this witness. He may be
16 excused. Anything further?

17 MR. CARR: Nothing further, Mr. Catanach.

18 EXAMINER CATANACH: Case 9873 will be,
19 therefore, taken under advisement.

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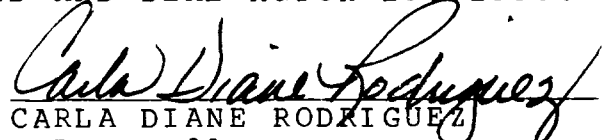
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4 COUNTY OF SANTA FE) ss.
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13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the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

17 WITNESS MY HAND AND SEAL March 15, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991
22
23
24
25