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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:)

APPLICATION OF DOYLE HARTMAN) CASE NO. 10008

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: JAMES MORROW, Hearing Examiner

January 24, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on January 24, 1991, at 9:00 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Freda Donica, RPR, Certified Court Reporter No. 417, for the State of New Mexico.

FOR: OIL CONSERVATION BY: FREDA DONICA, RPR
 DIVISION Certified Court Reporter
 CCR No. 417

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I N D E X

January 24, 1991
Examiner Hearing
CASE NO. 10008

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APPEARANCES

DOYLE HARTMAN'S WITNESSES:

DAN NUTTER

Direct Examination by Ms. Reuter

6

REPORTER'S CERTIFICATE

19

* * *

E X H I B I T S

Applicant's 1
Applicant's 2
Applicant's 3
Applicant's 4
Applicant's 5
Applicant's 5-A

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: GALLEGOS LAW FIRM
 141 East Palace Avenue
 Santa Fe, New Mexico 87501
 BY: JOANNE REUTER, ESQ.

FOR CHEVRON USA, INC.: CAMPBELL & BLACK, P.A.
 110 North Guadalupe
 Santa Fe, New Mexico
 BY: WILLIAM F. CARR, ESQ.

1 HEARING EXAMINER: At this time we'll call case 10008.

2 MR. STOVALL: Application of Doyle Hartman for a
3 non-standard gas proration unit, compulsory pooling and an
4 unorthodox gas well location, Lea County, New Mexico.

5 HEARING EXAMINER: Call for appearances.

6 MS. REUTER: Mr. Examiner, my name is Joanne Reuter of
7 the Gallegos Law Firm of Santa Fe, and I represent Doyle
8 Hartman.

9 MR. CARR: May it please the Examiner, my name is
10 William F. Carr with the law firm Campbell & Black P. A. of
11 Santa Fe. I represent Chevron USA, Inc. I do not intend to
12 call a witness.

13 MS. REUTER: I have one witness, Mr. Dan Nutter.

14 HEARING EXAMINER: Would the witness stand and be
15 sworn?

16 (Witness sworn.)

17 MS. REUTER: Mr. Examiner, at the outset I'd like to
18 clarify what we're seeking in this application. Initially,
19 the application was filed in June of 1990 seeking a
20 non-standard proration unit, an unorthodox well location and
21 forced pooling order. Since that time, Mr. Hartman has
22 either bought out the working interests of the other working
23 interest owners in the area affected or entered into a
24 farmout agreement, and we would like at this time to
25 withdraw that portion of the application that seeks a forced

1 pooling order and have it dismissed with prejudice. The
2 transactions that I've mentioned are just about to close
3 this week, but they are not quite closed and in case any
4 glitch arises, which is not expected to happen, we would
5 just like to have the withdrawal be without prejudice.

6 MR. CARR: I can represent for Chevron that we are very
7 close to having this matter resolved, and that it should be
8 dismissed -- I can't imagine that it isn't going to, one of
9 these days, close, but that the dismissal should not be with
10 prejudice because if we don't settle, somebody may be back.

11 MR. STOVALL: I don't think we make the distinction,
12 really, in our cases anyway.

13 MR. CARR: I didn't want this to be a first.

14 MS. REUTER: I just misspoke. I meant without
15 prejudice.

16 In addition, as Mr. Nutter will testify to, we do
17 not need approval of an unorthodox location. We resurveyed
18 the proposed well location and it turns out that it is an
19 orthodox location. It's a standard location.

20 HEARING EXAMINER: So you're down to just the
21 non-standard gas proration unit?

22 MS. REUTER: Yes, Mr. Examiner.

23 At this time I will call my first witness.

24 DAN NUTTER

25 the witness herein, having been first duly sworn, testified

1 as follows:

2 DIRECT EXAMINATION

3 BY MS. REUTER:

4 Q. Will you state your name for the record?

5 A. My name is Dan Nutter.

6 Q. Where is your residence?

7 A. In Santa Fe, New Mexico.

8 Q. What is your occupation?

9 A. I'm a consulting petroleum engineer.

10 Q. Have you testified before the Oil Conservation
11 Division and had your credentials accepted as that of an
12 expert previously?

13 A. Yes, I have.

14 Q. Are you familiar with the application of Doyle
15 Hartman in this case?

16 A. I am.

17 MS. REUTER: At this time I'd like to tender the
18 testimony of Mr. Nutter as expert testimony.

19 HEARING EXAMINER: We accept him as an expert.

20 Q. (By Ms. Reuter) Mr. Nutter, to your knowledge,
21 has notice of this application been provided to all
22 interested parties?

23 A. Yes. This application was originally filed for
24 the compulsory pooling and the unorthodox location and the
25 non-standard proration unit on June the 19th of 1990. It

1 has subsequently been continued many times while we've
2 attempted to iron out the land transactions between Chevron
3 and Mr. Hartman. And as mentioned earlier, we think that
4 this is just about at the final stage of consummation on the
5 land deal, so we're dismissing everything except the -- and
6 the location, it now turns out to be standard. So we're
7 dismissing everything except the application for the
8 non-standard proration unit.

9 Q. Do we have an exhibit with us today that shows
10 that notice was given to all interested parties?

11 A. Yes, that is Exhibit Number 1.

12 MS. REUTER: Mr. Examiner, I believe you have a copy of
13 Exhibit 1, which is my affidavit of notice.

14 Q. (By Mr. Nutter) Do you have an exhibit with you
15 today, Mr. Nutter, that shows the area of the proposed
16 non-standard proration unit?

17 A. Yes, I do. The non-standard proration unit
18 consists of Lot 4 and the east half of the west half of
19 Section six in Township 24 South, Range 37 east, Lea County,
20 New Mexico.

21 Q. Would the exhibit that shows that be marked
22 Exhibit Number 2?

23 A. That is Exhibit Number 1. The proration unit in
24 question today is colored in yellow. All of the offsetting
25 proration units are colored in various color codes. I might

1 mention that the original proration unit, being the east
2 half of the west half of Section 6, was 160 acres and was
3 approved by NSP Number 726. And that approval was made back
4 on November the 10th of 1965. At that time, the well -- the
5 unit was dedicated to the well that is circled in red on the
6 yellow proration unit. That is Chevron's Carter-Eaves
7 "NCT-A" well number one located 660 from the north line and
8 1,980 from the west line of Section 6.

9 Q. It says "dual" right under that.

10 A. That is a dual completion in the Langlie Mattix
11 and in the Jalmat gas pool. We propose to drill a new
12 Jalmat gas well and dedicate the 197 acre unit to the new
13 well. The well will be plugged in -- the original gas well
14 will be plugged as far as the Jalmat alone is concerned.
15 We'll get to that later.

16 Q. Can you tell me what Exhibit 2-A shows?

17 A. Exhibit 2-A is an explanation and detail of the
18 proration units that are indicated owned by other operators
19 offsetting the proposed proration unit, and shows the
20 ownership and the acreage and the well locations and the
21 acreage dedicated. It's just an explanatory exhibit to go
22 with Exhibit 2.

23 Q. Why do you want to abandon the dual completed
24 well?

25 A. Because that is a Chevron well, and they'll

1 continue to own their Langlie Mattix rights. And Hartman is
2 acquiring their Jalmat rights there, but they will continue
3 to own their well in the Langlie Mattix.

4 Q. Is that duly completed well efficiently draining
5 the Jalmat?

6 A. Well, it won't drain the Jalmat after it's
7 plugged, so that's the reason we have to have another well.
8 It has been draining the unit though.

9 Q. Moving on to Exhibit Number 3, can you tell me
10 what this exhibit shows?

11 A. Exhibit 3 is the exchange agreement transmittal
12 letter which provides for the exchange of property between
13 Chevron, Hartman and Davidson. Davidson, by the way, is a
14 partner of Hartman's in this venture. And it shows that
15 Chevron and Hartman and Davidson have agreed to exchange
16 this property for other properties. As we said before, this
17 is close to being consummated.

18 Q. Does it also show that Chevron agrees to the
19 plugging of the existing well?

20 A. Yes, it does.

21 Q. Moving on to exhibit number -- is there anything
22 else on that exhibit?

23 A. No, that's all on that exhibit.

24 Q. Moving on Exhibit Number 4, can you please tell
25 me what that is?

1 A. Yes. Exhibit Number 4 is the AFE put out by
2 Chevron for the plugging expenditures to plug the
3 Carter-Eaves A number 1 well in the Jalmat pool and leave it
4 as a producing well in the Langlie Mattix oil field.

5 Q. Moving on to Exhibit Number 5, could you please
6 tell me what that exhibit shows?

7 A. Exhibit Number 5 shows a plat of the proration
8 unit as it is proposed. It will be an L-shaped unit. The
9 existing Carter-Eaves Number 1 well is shown as the dual
10 completion with the --

11 MR. STOVALL: Mr. Nutter, we're actually looking at
12 5-A; is that correct? 5 is actually the --

13 THE WITNESS: Okay. 5 is the C-101.

14 Q. (By Ms. Reuter) Why don't you go ahead and finish
15 discussing 5-A and then we'll go on to --

16 A. Okay. In Unit C, the northeast of the northwest
17 of Section 6, is shown the Carter-Eaves NCT-A Number 1, the
18 dual completion, with the Jalmat pool producing through the
19 casing and Langlie Mattix injection well producing through
20 the tubing. Over to the west of that you'll see the Texaco
21 Myers well number 137 which is located 660 from the north
22 line and 660 from the west line. Since that is the Langlie
23 Mattix oil well, we had to move our location away from that
24 well. And our location is 295 feet from the Texaco well, or
25 924 feet from the west line of Section 6. It's also 660

1 feet from the north line of Section 6, being a standard unit
2 for the Jalmat gas pool. The proration unit is outlined in
3 heavy stippled marking and includes the 197.75 acres that
4 would be dedicated to the well.

5 Q. Mr. Nutter, is the proposed location a standard
6 location under OCD rules and regulations?

7 A. It is for the Jalmat gas pool, yes.

8 Q. Could you describe exactly where this plat shows
9 the existing proration unit and the additional acreage that
10 will be added to the new unit?

11 A. Yes. The existing proration unit is the stippled
12 area, with the exception of that 40 acres that's in the
13 northwest northwest. The existing proration unit is 160
14 acres, being the east half of the west half of Section 6.
15 We're adding the tract number 4 to the existing proration
16 unit to come up with 197.75 acres.

17 Q. Is tract number 4 currently dedicated or
18 developed as the Jalmat pool?

19 A. Tract number 4 is not developed. It never has
20 been dedicated in the Jalmat gas pool, so this will be a
21 first time for it to be dedicated in the Jalmat.

22 Q. Moving on to Exhibit 5 then, can you tell me what
23 Exhibit Number 5 is?

24 A. 5-A is a copy --

25 Q. Exhibit Number 5.

1 A. Exhibit 5 is a copy of the application for
2 drilling permit. It shows the proposed well, its location
3 and also the status of the plugging bond and so forth; the
4 drilling contractor will be Cactus. Work will start as soon
5 as possible. And it also states in detail the casing and
6 cementing program that's proposed for the well, which is
7 standard for this area.

8 Q. And Exhibit 5 is form C-1-1, is it not?

9 A. Yes. The other one that we just finished,
10 Exhibit Number 5-A, was form C-102.

11 Q. Is there any timeframe that Mr. Hartman needs
12 this non-standard proration unit approved?

13 A. Yes. Although this drilling permit says work
14 would start on February the 3rd, 1991, it is believed that
15 we'll be able to start much sooner than that. So we would
16 ask for an expedited order, if possible, in this case.

17 Q. In your opinion, would the creation of the
18 non-standard proration unit sought in this case prevent
19 waste and protect correlative rights?

20 A. It will in that it will permit lands that have
21 never been dedicated in the Jalmat gas pool to finally be
22 dedicated. And it will protect correlative rights.

23 Q. Do you have anything to add to your testimony?

24 A. Not at this time.

25 MS. REUTER: I have nothing further.

1 HEARING EXAMINER: Mr. Nutter, is the Langlie Mattix
2 above or below --

3 THE WITNESS: That is below. That is in the Queen
4 formation. This well will be completed in the Tansil, Yates
5 and Seven Rivers formation.

6 HEARING EXAMINER: Will Chevron just squeeze that off?

7 THE WITNESS: I believe that the proposal just calls
8 for squeezing the perforations in that well.

9 HEARING EXAMINER: And they'll have --

10 THE WITNESS: Hartman will be producing his well
11 through the tubing rather than through the casing in the
12 well. And they will continue to inject -- that's an
13 injection well they have, so they will squeeze the
14 perforations in the casing. They will continue to go down
15 the tubing under a packer with their injection water.

16 HEARING EXAMINER: And the Jalmat portion of it will
17 be --

18 THE WITNESS: It will be isolated.

19 HEARING EXAMINER: And not produced?

20 THE WITNESS: That is correct.

21 HEARING EXAMINER: On the -- a little more information
22 on the offset notice. All the offset owners were notified,
23 I believe, you testified.

24 THE WITNESS: Yes, sir, they were.

25 MR. STOVALL: Ms. Reuter, would you mind just

1 tabulating and supplementing that exhibit with just a list
2 and tabulation of those who were notified?

3 MS. REUTER: Certainly.

4 MR. STOVALL: Unless you've already got the copies in
5 there.

6 MS. REUTER: It's Exhibit 2-A, I believe.

7 MR. STOVALL: Is that the same list? Okay.

8 MS. REUTER: Exhibit 2-A does that for you. It's just
9 not attached to the notice affidavit.

10 HEARING EXAMINER: What was the response from the
11 people who were notified, Mr. Nutter?

12 THE WITNESS: I couldn't tell you what the response
13 was.

14 HEARING EXAMINER: They didn't write you letters back
15 or protest or waive or anything like that?

16 THE WITNESS: Well, when the application was first
17 filed, yes, there was some opposition from Chevron on this;
18 and since then it's been ironed out. And I don't think
19 anyone else had objected.

20 HEARING EXAMINER: I don't know whether there's any
21 waivers of objection in here or not. Possibly there are.

22 MS. REUTER: Mr. Examiner, if you'd like, I can have
23 Mr. Jones testify, and he can fill you in on all the
24 details. We do have some waiver letters that relate to a
25 subsequent request that we sent over to the division asking

1 for an administrative approval. I believe Mr. Jones knows
2 all the details about that.

3 HEARING EXAMINER: I don't believe that -- or it may be
4 necessary, but if you tell me that -- or Mr. Nutter can --
5 that there was either no protest or waiver from all the
6 offsets with the exception of Chevron.

7 MS. REUTER: There were none.

8 MR. STOVALL: Clarify on the record, of course, there
9 are no parties appearing in this case either.

10 MS. REUTER: That's correct.

11 MR. STOVALL: So I think that in itself constitutes
12 something of the waiver.

13 Let me ask you a question related to that. Is
14 the -- what appears on Exhibit 1, the Jim Camp WM Number 2
15 well, and that proration unit in the west half of Section 6,
16 was there some recent action at the OCD with respect to that
17 proration unit?

18 THE WITNESS: I couldn't tell you. That would be the
19 Arco non-standard proration unit?

20 MR. STOVALL: Yes. There's been quite a bit of
21 activity out there before the division with respect to
22 non-standard proration units.

23 THE WITNESS: Yes. There's been some rededication of
24 acreage and development in the area, but I couldn't tell you
25 specifically whether there has been any action with regard

1 to the Jim Camp WM Number 2 well or not.

2 MR. STOVALL: Not essential; I just was curious.

3 HEARING EXAMINER: Did we ever talk about accepting
4 these into evidence?

5 MS. REUTER: I forgot to do that. Mr. Examiner, I
6 hereby move Exhibits 1 through 5-A into evidence.

7 HEARING EXAMINER: They're accepted into evidence.

8 MR. STOVALL: I do have a real technical question with
9 respect to 5-A, Mr. Nutter. I thought I heard you say the
10 Texaco Myers was 660 north line, 660 west line. Did I hear
11 you correctly?

12 THE WITNESS: I believe that is the location of the
13 well, yes, the Myers 137.

14 MR. STOVALL: Right. The only problem I have with that
15 is the mathematical calculation. I assume this is a
16 non-standard section.

17 THE WITNESS: There's a difference there of a foot.

18 MR. STOVALL: I calculated 629. Is my arithmetic
19 wrong? I just want to make sure that your APD is correct.

20 THE WITNESS: Our location is actually 659 -- 659.6, or
21 something like that; so when you round it off, it's 660.

22 MR. STOVALL: From the west line?

23 THE WITNESS: That is from the -- oh, okay, it's
24 923.59, to come out with 924.

25 MR. STOVALL: So I don't need to worry about the Myers

1 arithmetic. Your well, you know, is rounded off to 924.

2 THE WITNESS: Right. Rounding it off, it is a standard
3 location.

4 HEARING EXAMINER: What is the requirement?

5 THE WITNESS: A requirement is -- the rules are
6 actually vague on this. The requirement says for a 320 you
7 have to be 1980 and 660. But there's no rule that specifies
8 what your location has to be on a 197 acre unit. It says
9 for a 660 -- 160 location it's six sixty-six sixty. And
10 then from there it jumps clear up to 320. We have closer to
11 a 160 than we do a 320. So by the standards set for 160s,
12 it is a standard location. And there is no rule for
13 intermediate size locations, or intermediate size units, I
14 should say.

15 HEARING EXAMINER: For 160, I guess they probably
16 assumed would be a quarter section when they wrote the
17 rules. It is six sixty six sixty?

18 THE WITNESS: Right.

19 HEARING EXAMINER: Any more?

20 MR. STOVALL: Nothing further.

21 HEARING EXAMINER: All right, the witness can be
22 excused.

23 HEARING EXAMINER: Case 10008 will be taken under
24 advisement.

25 We'll break for ten minutes.

1 (The foregoing hearing was adjourned at the
2 approximate hour of 9:47 a.m.)
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1 STATE OF NEW MEXICO)

2 :

3 COUNTY OF SANTA FE)

4 I, FREDA DONICA, RPR, a Certified Court Reporter, DO
5 HEREBY CERTIFY that I stenographically reported these
6 proceedings before the Oil Conservation Division; and that
7 the foregoing is a true, complete and accurate transcript of
8 the proceedings of said hearing as appears from my
9 stenographic notes so taken and transcribed under my
10 personal supervision.

11 I FURTHER CERTIFY that I am not related to nor employed
12 by any of the parties hereto, and have no interest in the
13 outcome hereof.

14 DATED at Santa Fe, New Mexico, this 19th day of
15 February, 1991.

Freda Donica

Freda Donica
Certified Court Reporter
CCR No. 417

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10008,
heard by me on Jan 24 1991.

[Signature] Examiner
Oil Conservation Division

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