

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 10119

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EXAMINER HEARING

8

9 IN THE MATTER OF:

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11 Application of Mesa Operating Limited
12 Partnership for Compulsory Pooling,
13 San Juan County, New Mexico

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TRANSCRIPT OF PROCEEDINGS

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18 BEFORE: MICHAEL E. STOGNER, EXAMINER

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STATE LAND OFFICE BUILDING

21

SANTA FE, NEW MEXICO

22

October 17, 1990

23

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25

1 A P P E A R A N C E S

2 FOR THE APPLICANT: J. SCOTT HALL, ESQ.
Miller, Stratvert, Torgerson
3 & Schlenker, P.A.
125 Lincoln Avenue, Suite 303
4 Santa Fe, New Mexico 87501

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1 EXAMINER STOGNER: Call next case, No.
2 10119.

3 Call for appearances.

4 MR. HALL: Mr. Examiner, Scott Hall from
5 the Miller, Stratvert, Torgerson & Schlenker Law Firm
6 of Santa Fe, with three witnesses who have been
7 previously sworn this morning.

8 EXAMINER STOGNER: Let the record so show
9 that the three previous witnesses in the two cases
10 preceding this, before this, have been duly sworn and
11 have been accepted as expert witnesses.

12 Mr. Hall.

13 EDWARD L. "HANK" WOOD

14 the witness herein, after having been previously duly
15 sworn upon his oath, was examined and testified as
16 follows:

17 EXAMINATION

18 BY MR. HALL:

19 Q. For the record, please state your name.

20 A. Edward L. "Hank" Wood.

21 Q. Mr. Wood, you've been previously sworn.

22 Let's go to Exhibit 1, if you would explain that
23 please, sir?

24 A. Exhibit 1 is a land plat for our proposed
25 FC State Com No. 23 well. It shows our proposed

1 proration unit as the south half of Section 36, 29
2 North, 11 West, of San Juan County.

3 It shows the well location to be 800 feet
4 from the south line, 1,250 feet from the west line of
5 said Section 36, and it shows the description of the
6 working interest owners with a--where their working
7 interest is derived from.

8 Page 2 to Exhibit 1 shows the breakdown of
9 working interest owners committed and noncommitted to
10 the unit. Mesa Operating Limited Partnership with
11 62.5799 percent, and Texaco, Inc., with 24.9962 have
12 responded.

13 Sun Operating Limited Partnership, which is
14 now ORYX, 9.3169 percent; Texas Pacific Oil Company,
15 Inc., which is also ORYX, with 3.1056 percent have not
16 responded. They have indicated their desire to sell
17 but will not respond to us in writing as to whether
18 they will join or stand out of the well.

19 Q. All right. Let's look at Exhibit 2,
20 please?

21 A. Exhibit 2 is a letter dated August 6, 1990,
22 which was sent to the working interest partners based
23 on title examination proposing the FC State Com No. 23
24 as a 1,990-foot Fruitland Coal test, showing the
25 location. And attached with it were Mesa's estimated

1 cost estimate for drilling and completing this test,
2 and Mesa's proposed Joint Operating Agreement to
3 govern operations for the test.

4 Q. What percentage is voluntarily committed to
5 the well now?

6 A. 87.5725 percent.

7 Q. And what percentage are you seeking to
8 pool?

9 A. 12.4225 percent.

10 Q. Mr. Wood, in your opinion, have you made a
11 good-faith effort to secure voluntary joinder of the
12 parties you're seeking to pool?

13 A. Yes, we have.

14 Q. Were Exhibits 1 and 2 prepared by you or at
15 your direction?

16 A. Yes, they were.

17 MR. HALL: We move the admission of
18 Exhibits 1 and 2, and that concludes our direct of
19 this witness.

20 EXAMINER STOGNER: Exhibits 1 and 2 will be
21 admitted into evidence.

22 EXAMINATION

23 BY EXAMINER STOGNER:

24 Q. Do you know how many acres are in this
25 proration unit, Mr. Wood?

1 A. Again, I don't have the title opinion.

2 EXAMINER STOGNER: Again, if you'll just
3 verify my figures? I found that one to be somewhat
4 strange. If you'll verify it subsequent to this
5 hearing, Mr. Wood and Mr. Hall.

6 MR. HALL: Okay. We show 314.43 acres.

7 EXAMINER STOGNER: Where are you getting
8 that at?

9 MR. HALL: The title review.

10 EXAMINER STOGNER: Is that part of the
11 exhibit?

12 MR. HALL: No, sir.

13 EXAMINER STOGNER: Okay. So, you can
14 verify that, and that's what I show on the document?

15 MR. HALL: That is correct. That
16 corresponds with the ad.

17 EXAMINER STOGNER: Okay.

18 Q. (BY EXAMINER STOGNER) In your Exhibit 1,
19 your percentages corresponding to Exhibit 2, Exhibit 2
20 looks like you rounded them off to two decimal points?

21 A. Exhibit A to the Operating Agreement you're
22 speaking of?

23 Q. Yes.

24 A. Yes, sir, that corresponds with page 2 of
25 Exhibit 1.

1 EXAMINER STOGNER: Are there any other
2 questions of Mr. Wood? If not, he may be excused.

3 Mr. Hall.

4 STEWART L. SAMPSON

5 the witness herein, after having been previously duly
6 sworn upon his oath, was examined and testified as
7 follows:

8 EXAMINATION

9 BY MR. HALL:

10 Q. For the record, please state your name.

11 A. Stewart Sampson.

12 Q. Mr. Sampson, what risk penalty are we
13 seeking for this particular well?

14 A. This would be the standard 156 plus cost.

15 Q. Let's review the exhibits you've prepared
16 for this case.

17 A. Exhibit 3 is a Fruitland Coal isopach
18 throughout the San Juan Basin showing the location of
19 our proposed well, the FC State Com No. 23. We would
20 anticipate something slightly over 20 feet of coal to
21 be present in this particular well.

22 Exhibit 4 is a bottom-hole-pressure map,
23 and we would anticipate a pressure in excess of 600
24 pounds, both the previous factors giving us a fair
25 shot at establishing economic production in this

1 area.

2 Exhibit 5 is a detailed map showing all
3 offset production in this area. In light of the fact
4 that we have at least one well within a 25-square-mile
5 area and have slightly favorable--slightly more
6 favorable geologic conditions than the last case, we
7 are requesting the standard penalty in this case.

8 Q. Even though there's some certainty that you
9 will encounter the coal, is there still a risk that
10 the well will not be a commercially successful well?

11 A. Yes, I would think there's a pretty good
12 chance of that.

13 Q. Were Exhibits 3, 4 and 5 prepared by you or
14 at your direction?

15 A. Yes, they were.

16 MR. HALL: We would move their admission.
17 That concludes our direct examination of this
18 witness.

19 EXAMINER STOGNER: No questions. Exhibits
20 3, 4 and 5 are admitted into evidence.

21 Mr. Hall.

22 TROY A. HOEFER

23 the witness herein, after having been previously duly
24 sworn upon his oath, was examined and testified as
25 follows:

1 EXAMINATION

2 BY MR. HALL:

3 Q. For the record, please state your name.

4 A. Troy A. Hoefer.

5 Q. Mr. Hoefer, let's go back to Exhibit 2 and
6 the AFE. If you would review those costs for the
7 Examiner, please?8 A. Exhibit No. 2 is a detailed cost estimate
9 for the drilling, completing and equipping of the FC
10 State Com No. 23. This will be a 1,990-foot Fruitland
11 Coal test, and it will be a cased and fracture-treated
12 well.13 Q. What are the overhead and administrative
14 charges that you propose for this well while drilling
15 and producing?

16 A. \$3,831.

17 Q. And are those costs and the drilling costs
18 in line with what's being charged in the area?

19 A. Yes, it is.

20 Q. Are you recommending that the figures for
21 overhead and administrative costs be made a part of
22 the Order that results from this hearing?23 A. Yes, I do. And the production cost would
24 be \$382 per month.

25 Q. All right. Let's look at Exhibit 6. Do

1 you concur in the request for the 156 percent risk
2 penalty?

3 A. Yes, I do. Exhibit 6, again, shows all
4 offset Fruitland Coal wells which have been drilled
5 within an approximate two-mile radius of the proposed
6 FC State Com No. 23. As you can see, there's only
7 been one well drilled in this area. It was drilled by
8 Meridian.

9 If we could look at the surface shut-in
10 pressure, we see a pressure of 416 pounds which is a
11 low pressure, very low pressure, thus justifying the
12 reason why we are casing and fracture-treating this
13 well.

14 If you look at the current production for
15 the well as reported by Dwight's through June of 1990,
16 this well is producing only 48 Mcf per day and zero
17 barrels of water. Due to the low production rates and
18 the inherent risks in fracture-treating this well, we
19 feel that the 256 percent penalty is justified.

20 Q. Was Exhibit 6 prepared by you?

21 A. Yes.

22 MR. HALL: We would move its admission.

23 Q. Let me ask you one more question. In your
24 opinion, will granting this application be in the
25 interests of conservation, the prevention of waste and

1 protection of correlative rights?

2 A. Yes.

3 MR. HALL: We have nothing further of this
4 witness. We would also tender Exhibit 7, which is our
5 12-07 Notice Affidavit.

6 EXAMINER STOGNER: Exhibits 6 and 7 will be
7 admitted into evidence.

8 I have no questions.

9 Anything further in this case?

10 MR. HALL: No, sir.

11 EXAMINER STOGNER: Case No. 10119 will be
12 continued to the Examiner's Hearing scheduled for
13 10/31, at which time it will be taken under
14 advisement.

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1 CERTIFICATE OF REPORTER

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

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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 October 20, 1990.

18

19

20

Carla Diane Rodriguez
CARLA DIANE RODRIGUEZ
CSR No. 91

21 My commission expires: May 25, 1991

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10119,
heard by me on 17 October, 1990.

Michael H. Lopez
_____, Examiner
Oil Conservation Division