

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 10125

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7 EXAMINER HEARING

8
9 IN THE MATTER OF:
10
11 Application of Mesa Operating Limited
12 Partnership for Compulsory Pooling,
13 San Juan County, New Mexico

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16 TRANSCRIPT OF PROCEEDINGS

17
18 BEFORE: MICHAEL E. STOGNER, EXAMINER

19
20 STATE LAND OFFICE BUILDING
21 SANTA FE, NEW MEXICO
22 October 17, 1990

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25 **ORIGINAL**

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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6 I N D E X

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10 STEWART L. SAMPSON

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1 EXAMINER STOGNER: Call next case, No.
2 10125, which is the application of Mesa Operating
3 Limited Partnership for compulsory pooling, San Juan
4 County, New Mexico.

5 Other than Mesa, are there any other
6 appearances?

7 Let the record show that these three
8 witnesses have been previously sworn and their
9 credentials accepted.

10 Mr. Hall.

11 EDWARD L. "HANK" WOOD

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

15 EXAMINATION

16 BY MR. HALL:

17 Q. For the record, state your name.

18 A. Edward L. "Hank" Wood.

19 Q. Let's look at Exhibits 1 and 2. Could you
20 explain those please, sir?

21 A. Exhibit 1 is a land plat showing Mesa's
22 proposed FC Fed Com No. 42 and a proposed proration
23 unit in the south half of Section 32, 31 North and 9
24 West of San Juan County, New Mexico.

25 It shows our proposed well location as

1 1,785 feet from the south line, 2,448 from the west
2 line of said Section 32. It also shows the working
3 interest owners and the tracts in which their interest
4 is derived.

5 Page 2 of Exhibit 1 is a breakdown of the
6 working interest owners committed and not committed to
7 the unit. At this time Mesa Operating Limited
8 Partnership with 25.07446 percent; TOC Rocky
9 Mountains, Inc., with 6.269 percent and Amoco
10 Production Company with 9.31241 percent are committed
11 to the well.

12 Koch Exploration Company with 15.5597
13 percent, El Paso Production Company with 28.16643
14 percent, and Conoco, Inc., with 15.58102 percent have
15 not committed their interest to the well. So we have
16 a total of 40.65587 percent committed and are seeking
17 to pool 59.307 percent.

18 Q. Let's look at Exhibit 2, please.

19 A. Exhibit 2 is a letter dated September 4,
20 1990, from Mesa to the working interest owners
21 proposing the drilling of a 3,230-foot Fruitland Coal
22 test. This letter was proposed as the FC State Com 25
23 and is the same proposal that we're seeking to pool
24 here which has now been designated as the FC Fed Com
25 No. 42.

1 With this letter to the working interest
2 owners was attached Mesa's AFE cost estimate for the
3 drilling and completing of this test and a proposed
4 Joint Operating Agreement for the government of
5 operations of this test.

6 Q. Please summarize your efforts to secure the
7 voluntary joinder of the parties you're seeking to
8 pool.

9 A. I have been in telephone conversations with
10 all three of the parties we're seeking to pool,
11 multiple times, but have not been able to reach an
12 agreement at this time as to their interest in the
13 well.

14 Q. In your opinion, have you made a good faith
15 effort to secure their voluntary joinder?

16 A. Yes, sir, I have.

17 Q. Were Exhibits 1 and 2 prepared by you?

18 A. Yes, sir, they were.

19 MR. HALL: We would move their admission.
20 And also, Mr. Stogner, we will confirm the acreage to
21 you. I don't have the title information with me right
22 now.

23 EXAMINER STOGNER: Thank you, Mr. Hall.

24 I have no questions of this witness. You
25 may proceed.

1 STEWART L. SAMPSON

2 the witness herein, after having been previously duly
3 sworn upon his oath, was examined and testified as
4 follows:

5 EXAMINATION

6 BY MR. HALL:

7 Q. For the record, state your name.

8 A. Stewart Sampson.

9 Q. Mr. Sampson, what risk penalty are you
10 recommending for this well?

11 A. 256 percent.

12 Q. Look at Exhibits 3, 4 and 5, if you would
13 discuss those please?

14 A. Exhibit 3 is a coal isopach of the
15 Fruitland Coal formation in the San Juan Basin showing
16 our proposed well location as the Fed Com 42.

17 As you can see by the coal isopach, we
18 anticipate encountering over 40 feet of coal in this
19 area which is an attractive target.

20 Exhibit 4 is a bottom-hole-pressure map for
21 the San Juan Basin in the coal and, as you can see by
22 our red dot, our well location, our pressures also
23 should be relatively attractive in this area based on
24 regional trends.

25 And Exhibit 5 is a detailed map of the area

1 showing the location of our well by the open red
2 circle and all offset Fruitland Coal completions in
3 the area. There's quite a bit of control in this
4 area. However, the rates established in these wells
5 have an extremely wide variation; consequently, we do
6 feel like there is risk in the area in that some of
7 the wells appear to be producing at noneconomic rates
8 and, consequently, this would justify our 256 percent
9 penalty for this well.

10 Q. In your view, is there a risk present that
11 this well may not be an economic well?

12 A. Yes, there is. Some of the wells do appear
13 to be noneconomic.

14 Q. Were Exhibits 3, 4 and 5 prepared by you?

15 A. Yes, they were.

16 MR. HALL: We would move their admission,
17 and that concludes our direct of this witness.

18 EXAMINER STOGNER: Exhibits 3, 4 and 5 will
19 be admitted into evidence. I have no questions.

20 Mr. Hall.

21 TROY A. HOEFER

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

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1 EXAMINATION

2 BY MR. HALL:

3 Q. For the record, state your name.

4 A. Troy A. Hoefer.

5 Q. Mr. Hoefer, let's look at the AFE in
6 Exhibit 2. If you would go over those well costs,
7 please?

8 A. Exhibit No. 2 is a detailed cost estimate
9 for the drilling, equipping and completing of the FC
10 Federal Com No. 42. This will be a 3,230-foot
11 Fruitland Coal test with a completed cost of \$375,000.

12 Q. Are those costs in line with what's being
13 charged in the area?

14 A. Yes, they are.

15 Q. What are the estimated overhead and
16 supervision rates for drilling and producing the well?

17 A. Overhead and administrative cost while
18 drilling is \$3,831 per month; overhead and
19 administrative while producing is \$382 per month.

20 Q. Are those charges also in line?

21 A. Yes, they are.

22 Q. You're recommending that those charges be
23 incorporated in any Order that results from the
24 hearing?

25 A. Yes, I do.

1 Q. Let's look at Exhibits 6 and 6-A, if you
2 would discuss those please, sir?

3 A. Okay. Exhibit Nos. 6 and 6-A show all
4 Fruitland Coal offset wells which have been drilled
5 within an approximate two-mile radius of the proposed
6 FC Federal Com No. 42.

7 If you'll look at the surface shut-in
8 pressure, this data is data that was obtained from
9 Dwight's Energy Data except for the well that is MOLP,
10 which was obtained from in-house sources. Our
11 production engineering department gave me that
12 number.

13 From these low pressures you can see we
14 will be casing and fracture-stimulating this well, and
15 because of this we feel that there is inherent risk in
16 the type of fracture stimulation that we're going to
17 give to this well. We'll give it a large frac with
18 high rates, high pump volumes and high pump
19 pressures.

20 If you'll please look at the current
21 production rates, which is the next column, this data
22 is a three-month average from Dwight's through June of
23 1990. As you can see, the rates in this area can vary
24 significantly. For example, please look at Section 21
25 of Township 31 North, 9 West. In this section we have

1 two wells drilled by Meridian. The well in the
2 northwest quarter, the Sunray G #251, is producing at
3 a rate of 7 Mcf per day. The well in the southeast
4 quarter is producing 636 Mcf per day with 246 barrels
5 of water.

6 Due to the variation of production in this
7 area, we feel that there is a risk associated in
8 trying to complete an economically commercial well in
9 this area.

10 Q. Do you have anything further you wish to
11 add with respect to the risk penalty?

12 A. No.

13 Q. Mr. Hoefer, in your opinion, will granting
14 this application be in the interests of conservation,
15 the prevention of waste and the protection of
16 correlative rights?

17 A. Yes.

18 Q. Were Exhibits 6 and 6-A prepared by you?

19 A. Yes, they were.

20 MR. HALL: We would move their admission
21 and we would also tender Exhibit 7, which is our 12-07
22 Affidavit.

23 EXAMINER STOGNER: Exhibits 6 and 7 will be
24 admitted into evidence. No further questions.

25 Is there anything further in this case?

1 MR. HALL: No, sir.

2 EXAMINER STOGNER: This case will be
3 continued to the Examiner's Hearing scheduled for
4 October 31st, at which time it will be taken under
5 advisement.

6 And, Mr. Hall, you'll verify the size of
7 that proration unit?

8 MR. HALL: I'll do that.

9 EXAMINER STOGNER: I show that one also to
10 be a very strange section on the old land surveys.

11 With that, let's take a 15-minute recess.

12 (Thereupon, the proceedings concluded.)

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1 CERTIFICATE OF REPORTER

2

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

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 October 21, 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 Examiners hearing of Case No. 10125,
heard by me on 17 October 1990.
Michael E. Stinson Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASES 10117, 10118, 10119, 10121, 10125
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11 Applications of Mesa Operating Limited
12 Partnership for Compulsory Pooling,
13 San Juan County, New Mexico
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18 BEFORE: MICHAEL E. STOGNER, EXAMINER
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20 STATE LAND OFFICE BUILDING

21 SANTA FE, NEW MEXICO

22 October 31, 1990
23

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ORIGINAL

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

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3 FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
4 Legal Counsel to the Division
5 Post Office Box 2088
State Land Office Building
Santa Fe, N.M. 87504-2088

6

7 FOR NEARBURG PRODUCING WILLIAM F. CARR, ESQ.
8 COMPANY (CASE 10121): Campbell & Black, P.A.
Post Office Box 2068
Santa Fe, N.M. 87504-2068

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1 EXAMINER STOGNER: This hearing will come
2 to order for Docket No. 30-90. Today is, obviously,
3 Halloween 1990, and I'm Michael E. Stogner, the
4 appointed hearing officer for today's cases.

5 I am going to call Cases 10117, 10118,
6 10119, 10121 and 10125 at this time.

7 MR. STOVALL: These are all the
8 applications of Mesa Operating Limited Partnership for
9 compulsory pooling in San Juan County, New Mexico.

10 EXAMINER STOGNER: These cases were heard
11 on the 17th of October. Due to an advertisement error
12 they were continued for today's hearing.

13 I'll call for any additional testimony
14 and/or appearances.

15 MR. CARR: May it please the Examiner, my
16 name is William F. Carr with the law firm Campbell &
17 Black, P.A. of Santa Fe.

18 I would like to enter an appearance on
19 behalf of Nearburg Producing Company in Case 10121.
20 We do not intend to present testimony. Our concern is
21 simply that the risk penalty be in line with the
22 penalty imposed on other Fruitland wells.

23 EXAMINER STOGNER: Thank you Mr. Carr.

24 Are there any other appearances in these
25 cases? If not, then Cases 10117, -118, -119, -121 and

1 -125 will be taken under advisement.

2 (Thereupon, the proceedings concluded.)

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CERTIFICATE OF REPORTER

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

I, Carla Diane Rodriguez, Certified
 Shorthand Reporter and Notary Public, HEREBY CERTIFY
 that the foregoing transcript of proceedings before
 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 November 13, 1990.

Carla Diane Rodriguez
 CARLA DIANE RODRIGUEZ
 CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing is
 a true and accurate transcript of the proceedings
 before the Oil Conservation Division of the State of New Mexico,
 held on the 31st of October, 1990.
 10117, 10118, 10119, 10121, 10125

Michael E. Stogner, Examiner
 Oil Conservation Division