

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 14 November 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Greenwood Resources, CASE
10 Inc. for an unorthodox oil well 8406
11 location, San Juan County, New
12 Mexico.

13 BEFORE: Gilbert P. Quintana, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

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18 For the Oil Conservation Division: Jeff Taylor
19 Attorney at Law
20 Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

21 For the Applicant:
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MR. QUINTANA: Call next Case
8406.

MR. TAYLOR: The application of
Greenwood Resources, Inc. for an unorthodox oil well
location, San Juan County, New Mexico.

The applicant has requested
that this case be continued.

MR. QUINTANA: Case 8406 will
be continued.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a correct and true transcript of the hearing held before me on the 14th day of Nov. 1984. 8406
heard by me on Nov. 14 1984.
Gilbert P. Quintone Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

28 November 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Greenwood Resources,
Inc., for compulsory pooling and an
unorthodox well location, San Juan
County, New Mexico.

CASE
8406

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Karen Aubrey
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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I N D E X

LINDA PRICE

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POUL POULSEN

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MR. STOGNER: We'll call next Case Number 8406.

MR. TAYLOR: Application of Greenwood Resources, Inc., for compulsory pooling and an unorthodox well location, San Juan County, New Mexico.

MS. AUBREY: Karen Aubrey, Kellahin and Kellahin, representing the applicant.

I have two witnesses to be sworn.

MR. STOGNER: Are there any other appearances in Case 8406?

Will the witnesses please stand to be sworn?

(Witnesses sworn.)

MS. AUBREY: Mr. Examiner, my first witness is Linda Price. She will address the ownership and voluntary participation issues in the forced pooling portion of the application.

Mr. Poulson, who is my second witness, will address the risk factor issues and the unorthodox well location.

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LINDA PRICE,

being called as a witness and being duly sworn upon her
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MS. AUBREY:

Q State your name, please.

A My name is Linda Price.

Q And by whom are you employed?

A I'm employed with Greenwood Resources,
Inc.

Q And what's your job title with Greenwood?

A I'm Vice President of Land.

Q How long have you been with Greenwood,
Miss Price?

A Been with Greenwood for five and a half
years.

Q Have you previously testified before the
Oil Conservation Division and had your qualifications as an
expert in petroleum land matters made a matter of record?

A Yes, I have.

Q Are you familiar with the application of
Greenwood which is being heard today?

A Yes, I am.

Q Will you briefly state for the Examiner
what Greenwood seeks by its application?

1
2 A Greenwood seeks a compulsory pooling ap-
3 plication and approval of an unorthodox location.

4 Q And that's for an oil well?

5 A For an oil well.

6 Q In the Gallup formation.

7 A Uh-huh.

8 Q Let me refer you to Exhibit Number One.
9 Can you look at that, Ms. Price, and identify for the Exami-
10 ner what the exhibit shows and whether or not it reflects
11 your proposed location?

12 A Okay. This is the proration unit that --
13 for our proposed unorthodox location for the Kirtland 18-1.

14 The area outlined in yellow would be the
15 area that would be approved for an orthodox location. Our
16 wellsite location is staked -- it's a solid black circle in
17 the lower righthand corner.

18 Q Does this exhibit also identify the land
19 ownership of certain lots in the area?

20 A That's right. It reflects the Beaver
21 Subdivision.

22 Q Miss Price, you have sought to have a
23 working interest force pooled in this case.

24 Have you been able to locate that working
25 interest owner?

A No, we have not. We have sent notifica-
tion and have no address.

Q Can you describe for me the efforts you

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have made to obtain an address or other information about the location of this working interest owner prior to your sending out the notification?

A From our title search the owner is still -- this party is still the owner.

When Caribou Four Corners first drilled the Kirtland No. 3, of which this lease is part of the pro- ration unit, they had also sought to -- to locate the par- ties with the information that is of record, and we have done the same by sending a certified letter of the -- a cer- tified letter and the AFE, and have had that returned with "address insufficient".

Q What is the name of the working interest owner you're force pooling?

A We're force pooling Alvin and Cora Wil- liams.

Q Can you refer to Exhibit Number One and for the Examiner point out where their surface ownership or their mineral ownership lies on this -- on this exhibit?

A Their mineral ownership is Block 1, Lot 6, and they own the minerals -- the surface owner is Clar- ence Lee Watson.

Q So if we count down from the top of the exhibit under number one six lots, we'll find the Clarence Lee Watson --

A Right.

Q -- tract. The ownership underlying that

1 tract is in Alvin and Cora G. Williams.

2 A That's correct.

3 MR. STOGNER: I'm having a hard
4 time finding this.

5 MR. TAYLOR: It's listed under
6 Clarence Lee --

7 MS. AUBREY: Yes.

8 MR. TAYLOR: Clarence Lee Wat-
9 son.

10 MR. STOGNER: Thank you.

11 Q Miss Price, can you tell the Examiner
12 what percent of the mineral ownership is in Mr. and Mrs.
13 Williams?

14 A Mr. and Mrs. Williams would own a .32
15 percent working interest.

16 Q And that's in the 80-acre proration unit.
17 Let me refer you now to Exhibit Number
18 Two. It's a multi-page exhibit.

19 The first page shows a certified mail re-
20 ceipt.

21 Can you explain for the Examiner what
22 page number two is?

23 A All right. Page number two is our letter
24 advising them of that -- of our interest to drill a well,
25 advising them that Caribou had attempted to contact them for
the drilling of the No. 3 Well, and their proposed costs.
Their estimated costs, rather.

1
2 And also attached to that is an AFE which
3 supports the costs.

4 Q Their proposed share of the costs then
5 would be \$665.66 based on the AFE which you've given them?

6 A That's right.

7 Q And what are pages two and three? I'm
8 sorry, three and four of that exhibit?

9 A Page three is a summary of the expendi-
10 tures on page four, which would just itemize the current
11 working interest owners and our intentions to drill a Gallup
12 well to 4550 feet.

13 Q And your AFE shows a total well cost es-
14 timate of \$204,000.

15 A Right.

16 Q Miss Price, have you reviewed this AFE
17 and do you have an opinion as to whether or not it repre-
18 sents a fair and reasonable well cost estimate for a well
19 completed in the Gallup formation?

20 A Yes, I believe this is a reasonable esti-
21 mate for a well in -- the drilling of this well.

22 Q And does this AFE which is a part of Ex-
23 hibit Two continue to represent your estimated well costs?

24 A Yes.

25 Q You haven't made any changes in what --

A No.

Q -- you estimate it's going to cost to
drill the well.

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A The second page is merely an itemized itemization of all the costs.

Q Let me refer you now to Exhibit Number Three, Miss Price.

Can you tell the Examiner what that is?

A It's a photocopy of the letter addressed to Mr. and Mrs. Williams which has been returned.

Q Now, Miss Price, in your application Greenwood is seeking approval by the Division of overhead costs in connection with the drilling supervision and completion of the well. Can you tell the Examiner what costs you're seeking approval of?

A Yes. We're seeking approval for a drilling overhead rate of \$3500 and while producing, an overhead rate of \$300.

Q And on what do you base that request?

A That is the current area rate that we are receiving in other wells.

Q How many wells does Greenwood operate in the area?

A We operate seventeen wells, approximately.

Q And you're familiar with the drilling rate and production rate which you have received on those seventeen wells?

A Yes.

Q By your application, Miss Price, you also

1
2 seek to have Greenwood Resources named the operator of the
3 well, is that correct?

4 A That's right.

5 Q Were Exhibits One, Two, and Three pre-
6 pared by you or under your supervision and direction?

7 A Yes, they were.

8 MS. AUBREY: Mr. Examiner, I
9 offer Exhibits One, Two, and Three, and I have no more ques-
10 tions of the witness.

11 MR. STOGNER: Exhibits One,
12 Two, and Three will be admitted into evidence.

13 CROSS EXAMINATION

14 BY MR. STOGNER:

15 Q Miss Price, the interest owners are
16 jointly owned by Alvin and Cora Williams, is that right?

17 A That's right.

18 Q Who is T. H. Griffin?

19 A That was part of the title search. That
20 was the address.

21 Q Was there a phone number in Cleburne for
22 either the Griffin or the Williams?

23 A No, I checked that out.

24 MR. STOGNER: I have no further
25 questions of Miss Price at this time.

Are there any other questions
of this witness?

If not, she may be excused.

POUL POULSEN,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MS. AUBREY:

Q Would you state your name, please?

A My name is Poul Poulsen.

Q And what is your occupation, Mr. Poulsen?

A I'm an engineer.

Q Who are you employed by?

A I'm employed by Greenwood Resources, Inc.

Q And how long have you been with Greenwood?

A Two years.

Q Are you familiar with Greenwood's application today for compulsory pooling and an unorthodox well location?

A Yes, I am.

Q And have you reviewed the data in your company files in connection with their request for the imposition of a 200 percent risk penalty in connection with the compulsory pooling?

A Yes, I am.

Q Mr. Poulsen, have you previously testi-

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2 fied before the Commission and had your qualifications made
3 a matter of record?

4 A Yes, I have.

5 MS. AUBREY: Mr. Examiner, are
6 the witness' qualifications acceptable?

7 MR. STOGNER: They are.

8 Q Mr. Poulsen, let me refer you to Exhibit
9 Number Four.

10 A Okay.

11 Q What is the area outlined in yellow on
12 Exhibit Number Four?

13 A The area in yellow is the present 80-acre
14 proration unit assigned to the Kirtland No. 3 Well.

15 Q And does it show your proposed location
16 for the Kirtland 18-1?

17 A Yes, in the lower righthand corner you'll
18 see a 18-1, which is the 18-1 location.

19 Q And that shows the unorthodox location
20 you're seeking approval for today.

21 A Yes, ma'am.

22 Q Let me refer you again to Exhibit Four.
23 Can you explain for the Commissioner what you know about the
24 well shown as the Well No. 7, which is just north of the 80-
25 acre proration assigned to the No. 3?

A The No. 7 was drilled and completed by
Lobo Production, (not clearly understood) No. 7. It was
initially completed into the Gallup. It was a very low pro-

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ducing well. It has now been recompleted into the Mesaverde and is waiting on gas hook-up.

Q Is it presently producing from the Gallup formation?

A No, it has a bridge plug over the Gallup.

Q Mr. Poulsen, on Exhibit Number Four you show certain offset owners to your 80-acre proration unit.

Have you notified those offset owners of your request for approval of an unorthodox location at the location shown for the 18-1?

A Yes, we have.

Q Have you received any communications from those owners?

A Yes, we have. We've received returns from Lobo and from El Paso Natural Gas, El Paso Exploration, approving the location.

Q And those would be the documents you've marked as Exhibit Number Five?

A Right.

Q Have you received any communications from Mr. Paul Slayton, who is shown as an offset operator to the south of your proposed location?

A I haven't but Linda Price; Greenwood has, and the Commission has received notification from him that he is not in compliance with our intent to drill the unorthodox location.

Q So he's not in agreement with your --

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A Not at all.

Q -- proposed location.

A And I believe there's a letter to that effect.

Q Have you discussed your proposed location with anyone in the Aztec Division?

A Yes, I discussed the location with Ernie Bush, who is the inspector for the Oil and Gas Commission in Aztec, and was very familiar with the topographic area in this area.

Q Can you tell the Examiner what the substance of your conversations with Mr. Bush have been?

A I've talked to him about the drilling of this well and the procedure by which we would have to go through in order to get approval to drill the well.

I talked to him about proposed locations and where we could drill the well and the topographic conditions of the area, and based on that talked to the owners in the area.

We arranged an agreement with an individual to drill the well on this location, which in our opinion is the most environmentally least impact on the area because of the development of the housing area.

Q This is a residential area, is it not?

A It is a residential area, yes.

Q And your location is -- or the 80-acre proration unit is close to the San Juan River, is that cor-

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rect?

A Yes. The San Juan River is right south of No. 2 Well.

On your -- on that big map there, showing the housing development, the river is on the southern part of the housing development. The river has moved north and east.

Q You're referring to Exhibit Number One now?

A Yes, I am.

Q So the river is actually farther north than it shows on that exhibit.

A Yes, it is.

Q You refer to topography. Mr. Poulsen, let me have you jump ahead an exhibit and look at Exhibit Number Seven.

A Number Seven is a topographic map and you will notice that the housing development is also on this map.

You will also notice the -- the closeness of the contour lines around the 18-1 Well.

What you have out there is that the subdivision is on the flat land. You come off a hill and go down, which slopes down into the river. This is a marshy land down in that area where the 18-1 location has been picked, and it was picked for that reason, because the land is not good for any development on it, and as such, the own-

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2 er was -- of the surface land was willing to give us a loca-
3 tion on that place.

4 Q What arrangements have you made with the
5 surface owner for the drilling of the 18-1 Well?

6 A The surface owner and us have come to an
7 agreement of putting the well in that place, which is out of
8 any future needs for him of the area. We've arranged a con-
9 tract with him where we will do a certain amount of dirt
10 work to straighten out some of the land. We'll put our
11 fence back around his ten acres when we get done with the
12 well; put two -- two cattleguards in and gates and a fence
13 on the area going north, which is into the subdivision.

14 Q In terms of other locations in the 80-
15 acre proration unit, Mr. Poulsen, can you explain to the
16 Examiner why you have picked the location that you have mar-
17 ked?

18 A Okay. The location, or if you look on
19 that plat to the large area to the east of the yellow, we
20 could put the well in that area.

21 We talked to the owner of the surface
22 rights -- owner of the surface area there and he wants to
23 develop that into a home site area as the other part is.

24 The only place that he would give us a
25 location is right next to the east line of that block, which
in our geological interpretation would put us outside the
reservoir.

Q So the location you've changed -- you've

1
2 chosen for the 18-1 is the only location within the reser-
3 voir because of topographical and land ownership problems
4 that you could drill?

5 A Yes, ma'am.

6 Q Let me refer you now to what we've marked
7 as Greenwood Exhibit Number Six.

8 Can you identify that?

9 A Exhibit Number Six is an Isopach map
10 taken out of Slayton Oil Company's reservoir study that they
11 performed on the Northwest Cha Cha Unit. That study was
12 done by a Douglas W. Wilson and it was done in August 22nd,
13 1984, for Slayton Oil Company.

14 The Isopach shows that the sand in the
15 Northwest Cha Cha Unit is quite uniform except for this
16 northern part, and that the No. 3 Well is within the reser-
17 voir but the No. 18-1 would be on the 8-foot contour and
18 most of the wells are within the 8-foot contour, inside the
19 8-foot contour.

20 So what it shows is that the well's loca-
21 tion is right on the edge of the reservoir.

22 Q The proposed location is identified on
23 Exhibit Six by the red dot?

24 A Yes, it is.

25 Q Are there any additional Isopachs that
you're aware of of the proposed location?

A No, the Gallup gets very shaley and very
thin going north, and there are no more Isopachs.

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Q Can you describe the nature of the sands in the area of your proposed location?

A The sands in this particular area are on the very fringes of the Northwest Cha Cha Unit's main producing sand, where they injected waterflood water for many years.

It's a fractured, fine grained siltstone. The reservoir quality as you go north, where we have the remaining of our wells, becomes very thin, the one zone gets very small, and what we perforated is about 100 foot of zone.

So in this area you have a -- a sand that is able to be mapped, but farther north we do not.

Q And by farther north you mean at the proposed location.

A Right.

Q Under the field rules, Mr. Poulsen, how many wells are you permitted to drill on an 80-acre tract in this area?

A My interpretation of the field rules are that you can drill as many wells as you want in the 80-acre tract. The field rules initially specify 80 acres but they said that operators could drill more than one well in the 80 acres but the allowable would be for as many wells as are in the 80-acre tract.

Q And is it your intention to use the allowable presently assigned to the No. 3 for the No. 3 and

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the No. 18-1?

A Based on the recoveries that -- that are in the area, that well, if it is a producer, should be well within the limits when you take the total of the No. 3 and the No. 18-1 together to be within the limits of the allowable.

Q Mr. Poulsen, will the drilling of your proposed well at the proposed unorthodox location permit the recovery of hydrocarbons which would otherwise not be recovered?

A Yes, it will. As we said earlier, the well to the north of here, which is the Heinz-Kennedy No. 7, was a very poor well and was basically uneconomical.

Because of that the trapping mechanism or the sand is not to north. The Isopach shows it as not to east and the northeast, and as such, the reservoir that's in this area would not be drained by the No. 3 Well and as such the 18-1 would drain this oil that would not be recovered in any other way.

Q Will the granting of your application protect correlative rights, promote conservation, and prevent waste?

A It sure will. It will give additional recovery to the people that own the 80-acre tract that would not be recovered in any other way.

Q Mr. Poulsen, were Exhibits Four through Seven prepared you or under your supervision and direction?

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A Yes, they were.

Q I have no more questions of the witness,
Mr. Examiner.

MR. STOGNER: Do we want to enter these into evidence at this time?

MS. AUBREY: I'm sorry. I offer Exhibits Four through Seven.

MR. STOGNER: Exhibits Four through Seven will be admitted into evidence.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Poulsen, is this well, the Kirtland Well No. 181 or 18-1?

A The computer in the New Mexico Oil Conservation Division will not accept the dash and so when we put everything on it, we put it 181 so that it will be accepted.

The nomenclature that we use is 18-1 and the significance of that is that it's used for Section 18, the first well that we will be drilling.

Q Okay. Mr. Poulsen, did I understand you to say the 200 percent maximum risk penalty should be into effect on the well?

A Yes, I believe it should.

Q Thank you, sir.

MR. STOGNER: I have no further

1 questions of Mr. Poulsen.

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3 Are there any other questions
4 of this witness?

5 If not, he may be excused.

6 Also at this time I'd like to
7 make administrative notice of the Slayton Oil Corporation's
8 letter received by us October 15th, 1984, and it will be
9 made part of this case.

10 Ms. Aubrey, do you have any-
11 thing further in Case 8406?

12 MS. AUBREY: No, Mr. Examiner,
13 I do not.

14 MR. STOGNER: Does anybody else
15 have anything further in Case 8406?

16 If not, this case will be taken
17 under advisement.

18 That concludes today. This
19 hearing is hereby adjourned.

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(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8406, heard by me on November 28, 1984.

Michael E. Hagners, Examiner
Oil Conservation Division