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I N D E X

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MR. CATANACH: Call next Case 9093, which is the application of Reading & Bates for compulsory pooling, Rio Arriba County, New Mexico.

Are there appearances in this case?

MR. HALL: Mr. Examiner, my name is Scott Hall, from the Campbell & Black law firm of Santa Fe, on behalf of the applicant, Reading & Bates.

I have two witnesses who have been previously sworn today.

MR. CATANACH: Are there any other appearances in this case?

Let the record show that the witnesses have been sworn previously.

ERIC KOELLING,
being called as a witness and having been previously sworn,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. HALL:

Q All right, for the record please state your name.

A Eric Koelling.

Q And, Mr. Koelling, you've previously been

1 sworn today and had your qualifications accepted and made a
2 record?

3 A Yes.

4 Q In this Case 9093, would you state for
5 the record what it is Reading & Bates seeks?

6 A We'd like to pool the remaining unjoined
7 interests under the Greenlee Federal Well in the east half
8 of Section 24, 25 North, 3 West, Rio Arriba County, New Mexico.

9 Q Okay, let's look at what has been marked
10 as Exhibit One and if you'd just briefly summarize what it's
11 reflecting to the Examiner.

12 A Okay. This is a land map. It shows the
13 well location along with another proposed location in the
14 same section. It shows the proration unit. It shows the
15 leases and there is a breakdown of ownership by lease and a
16 breakdown of ownership in the drillsite spacing unit, abbrevi-
17 ated DSU, which shows the various parties and their inter-
18 ests.

19 Q What's the footage location of the well?

20 A The well is 990 feet from the north line
21 and 990 feet from the east line.

22 Q And is that a standard location?

23 A Yes, it is.

24 Q All right, does Exhibit One show the in-
25 terests of the parties you're seeking to pool?

1 A Yes, it does.

2 Q And would you point those out for the
3 examiner?

4 A Yes. We are pooling the Gilliland Estate
5 with 3.125 percent and Mountain States with 6.25 percent.

6 Q All right, and what percentage of the
7 working interest is committed to the well?

8 A 90.625 percent, and they have joined or
9 in one case joined and farmed out.

10 Q All right. If you would, please, I'd
11 like for you to summarize the efforts Reading & Bates has
12 made secure voluntary joinder of the parties you're seeking
13 to pool today.

14 A We sent them in November a letter pro-
15 posing the well, along with an operating agreement, AFE, and
16 tentative farmout terms if they wished to farm out.

17 Since that time there have been various
18 phone conversations for those that we could talk to on the
19 phone and then the notice of hearing.

20 Q All right. Are those letters seeking
21 voluntary joinder shown on Exhibit Two?

22 A Yes, they are.

23 Q And the addressees are shown on Exhibit A
24 to Exhibit Two?

25 A Yes, they are, again these are ownership

1 and interests that -- reflecting those ownerships and inter-
2 ests based on our title examination and shown in the operat-
3 ing agreement.

4 Q All right, in your opinion has Reading &
5 Bates undertaken a good faith effort to locate the -- and
6 join the parties and obtain their voluntary joinder?

7 A Yes, we have.

8 Q If you'll look at Exhibit Three, is that
9 a compilation of letters to the parties to be pooled, giving
10 them notice of the hearing?

11 A Yes.

12 Q And did you address your attorneys to
13 provide that notice?

14 A Yes.

15 Q All right, Mr. Koelling, in your opinion
16 will the granting of this application be in the best inter-
17 ests of conservation, the prevention of waste, and the pro-
18 tection of correlative rights?

19 A Yes, I believe it will.

20 Q All right. And again in this case is
21 Reading & Bates seeking an extended effective date on the
22 order?

23 A Yes, we'd like six months in this case as
24 well.

25 Q All right. Are you requesting an order

1 be phrased along the line of the prospective order in Case
2 Number 9091?

3 A Yes.

4 Q All right.

5 MR. HALL: We have nothing
6 further of this witness.

7 Oh, one further question.

8 Q Did you prepare Exhibits One through
9 Three or were they prepared at your direction?

10 A Yes, they were.

11 MR. HALL: That's all I have of
12 this witness.

13

14 CROSS EXAMINATION

15 BY MR. CATANACH:

16 Q Mr. Koelling, you're pooling the same
17 parties, is that correct, Mountain States and the Gilliland
18 Estate?

19 A Yes, that is.

20 Q And they were first contacted about
21 November 12th, 1986?

22 A That is correct and we've again had con-
23 versations with the Gilliland Estate. Again we believe they
24 are going to join. It's a little more difficult for them,
25 being an estate, to get their paperwork back and that kind

1 of thing, but Mountain States is the people we've had prob-
2 lems contacting.

3 Would you also like in this order a pro-
4 vision allowing them to have additional time in which to pay
5 their money if they decide to join?

6 A Yes. Again, if -- if they will contrac-
7 tually commit in thirty days, then we would be happy with
8 the terms of the operating agreement in terms of billing
9 procedure with the provision that sixty days prior to spud
10 date they would have thirty days to remit their cash.

11 Q So, in effect, you would have thirty days
12 before spud date, they would have to submit their money to
13 you before thirty days prior to spud date.

14 A Yes. Yes, if we gave them a notice six-
15 ty days prior to spud date, their cash would be due thirty
16 days after that. That would give us thirty days to make ar-
17 rangements for whatever interest we ended up taking under
18 the penalty.

19 Q And you would also notify them sixty days
20 prior to spud date of the date, spud date?

21 A Yes, our anticipated spud date, given
22 whatever weather delays may factor into that, and that hap-
23 pens.

24 MR. CATANACH: I have no fur-
25 ther questions of the witness.

1 He may be excused.

2
3 T. BRUCE PETITT,

4 being called as a witness and having been previously swor
5 upon his oath, testified as follows, to-wit:

6
7 DIRECT EXAMINATION

8 BY MR. HALL:

9 Q For the record please state your name.

10 A Bruce Petitt.

11 Q Mr. Petitt, I understand you've been pre-
12 viously sworn and had your credentials accepted this mor-
13 ning.

14 A Yes.

15 Q Mr. Petitt, I'd like for you to refer to
16 what's been marked as Exhibit Four, which is the AFE. Why
17 don't you summarize the figures reflected in that exhibit?

18 A Exhibit Four is the Authority for Expen-
19 diture for the well known as the Greenlee Federal No. 41-24,
20 which we hope to drill in the northeast northeast of Section
21 24, Township 25 North, Range 3 West. The well is the sub-
22 ject of this hearing.

23 Q All right, and again, what's the comple-
24 tion interval for that well? Or your primary objective?

25 A This well will be drilled through the

1 Gavilan-Greenhorn-Graneros-Dakota Oil Pool. It will be com-
2 pleted in the Gavilan-Mancos Oil Pool.

3 Q Okay. Again referring to Exhibit Four,
4 what is the total for a completed well?

5 A We estimate the total for this well com-
6 pleted to be \$518,655.

7 Q All right, and for a dry hole?

8 A Dry hole cost is estimated to be
9 \$191,440.

10 Q Okay, are these costs in line with what's
11 being charged in the area by other operators?

12 A Yes.

13 Q Mr. Petitt, are you prepared to make a
14 recommendation to the examiner as to the risk penalty that
15 should be assessed against the nonconsenting working inter-
16 est owners?

17 A Yes.

18 Q And what is that recommendation?

19 A We recommend that for drilling operations
20 the overhead and administrative costs be \$3500 per month and
21 for producing operations \$500 per month.

22 Q Okay, and are these costs in line?

23 A Yes.

24 Q All right, and what are you recommending
25 for the nonconsent penalty?

1 A We're recommending a penalty of 200 per-
2 cent.

3 Q Okay. Do you recommend that the penalty
4 and the drilling and supervision costs be incorporated to --
5 into any order that results from this hearing?

6 A Yes.

7 Q And does Reading & Bates seek to be
8 designated operator of the proposed well?

9 A Yes.

10 Q In your opinion will the granting of the
11 application be in the best interest of conservation, the
12 prevention of waste, and the protection of correlative
13 rights?

14 A Yes.

15 Q Was Exhibit Four prepared by you?

16 A Yes.

17 MR. HALL: At this time, Mr.
18 Examiner, we have nothing further of this witness and we'd
19 move the admission of Exhibits One through Four.

20 MR. CATANACH: Exhibits One
21 through Four will be admitted into evidence.

22

23 CROSS EXAMINATION

24 BY MR. CATNACH:

25 Q Mr. Petitt, where is this well in rela-

1 tion to the -- to the pool boundaries for the Gavilan-Mancos
2 and the Gavilan-Greenhorn-Graneros-Dakota Pools?

3 A My understanding is that the Oil Conser-
4 vation Division has recently drawn that boundary down the
5 center of the east -- of the sections on the eastern side of
6 Township 25 North, Range 3 West, so -- so the eastern stand-
7 up 320-acre sections in that township and range are in those
8 pools.

9 Q So that would put you within a half mile?

10 A Yes, I think there's someone here who can
11 tell you exactly.

12 Q Okay. So, Mr. Pettitt, the Gavilan-Mancos
13 would be the primary target, is that correct?

14 A It would be the completion objective but
15 the Gavilan-Greenhorn-Graneros-Dakota, our plan would be to
16 complete it at a later date.

17 Q And so you do need for both of those for-
18 mations to be pooled --

19 A Right.

20 Q -- by this order. Mr. Pettitt, can you
21 explain to me, please, how you arrived at the 200 percent
22 risk penalty for this well?

23 A For this well there is no offsetting pro-
24 duction within approximately one mile. The closest well is
25 the McHugh Loddy No. 1 in the northwest of Section 20, Town-

1 ship 25 North, Range 2 West. Our understanding is that
2 well's shut-in probably due to gas market problems. It ini-
3 tial potential for 420 barrels of oil per day.

4 Approximately one and a half miles almost
5 due southeast of this location is McHugh's Full Sail No. 3.
6 That well initial potential for 47 barrels of oil. We
7 are, as I indicated in the previous case, we're involved in
8 intensive study of this area and that study leads us to be-
9 lieve that this reservoir has vartly differing permeabili-
10 ties and porosities across the area and that that gives rise
11 to the existence of risk, the risk of drilling a poor well.

12 Q That's in Gavilan-Mancos Pool.

13 A In the whole area, because you see in
14 this situation we have actually two or three pools about to
15 butt up against each other and we studied the whole area,
16 not just the Gavilan-Mancos Pool, and the pool has hetero-
17 geneous qualities, the reservoir does.

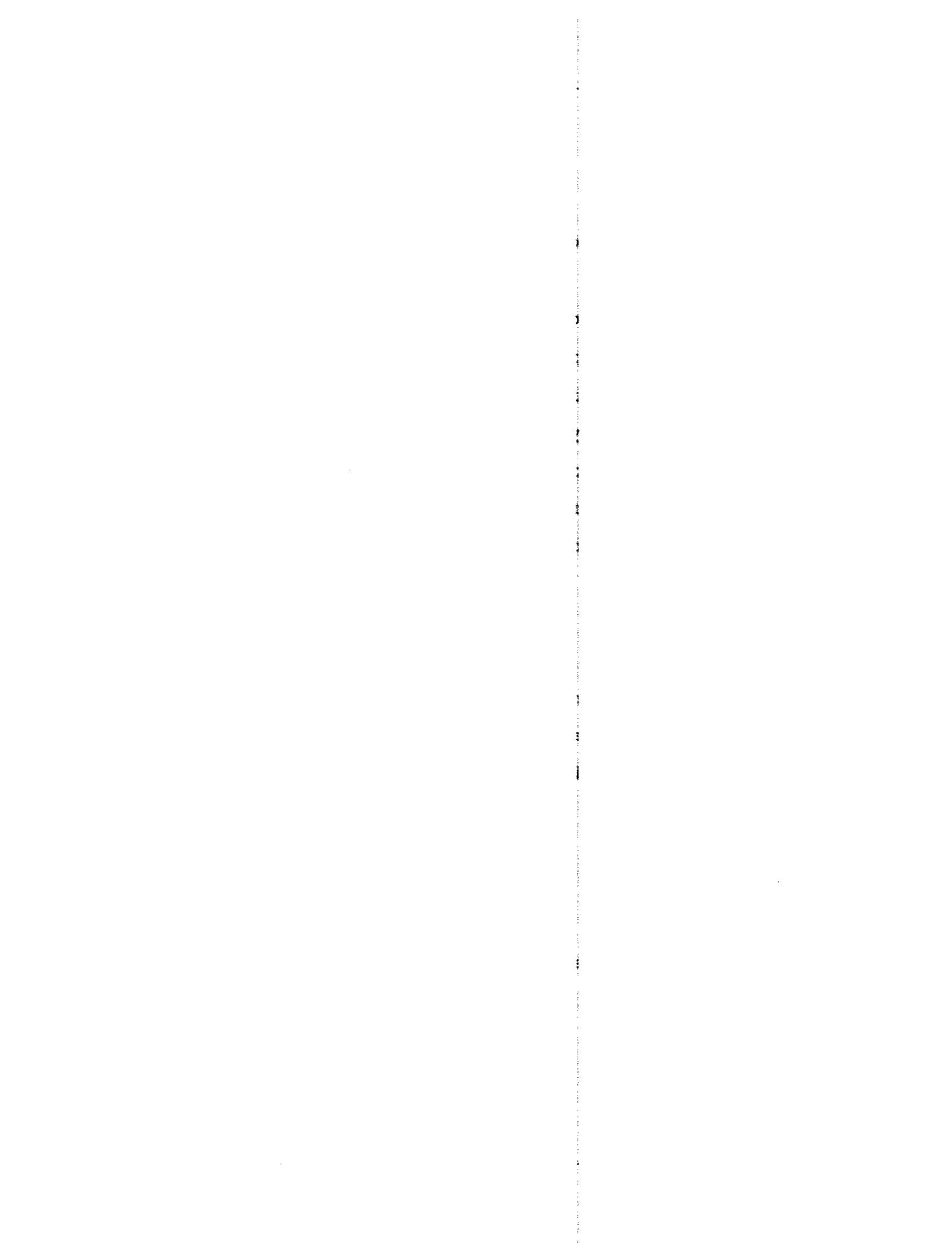
18 Q Okay. The wells that you were describ-
19 ing, those are in the Gavilan-Mancos Pool.

20 A Those two are, yes.

21 Q Have there been any wells drilled in Sec-
22 tion 44 that penetrate the formations in question?

23 A To the best of my knowledge, no.

24 Q You show an Amoco well in the west half
25 there. Do you know what that well is --



1 A I think they just have a location there.

2 Q That has not been drilled?

3 A I don't think so.

4 MR. CATANACH: That's all the
5 questions I have for the witness. He may be excused.

6 MR. HALL: We have nothing
7 further in the case.

8 MR. CATANACH: There being
9 nothing further in Case 9093, it will be taken under
10 advisement.

11

12 (Hearing concluded.)

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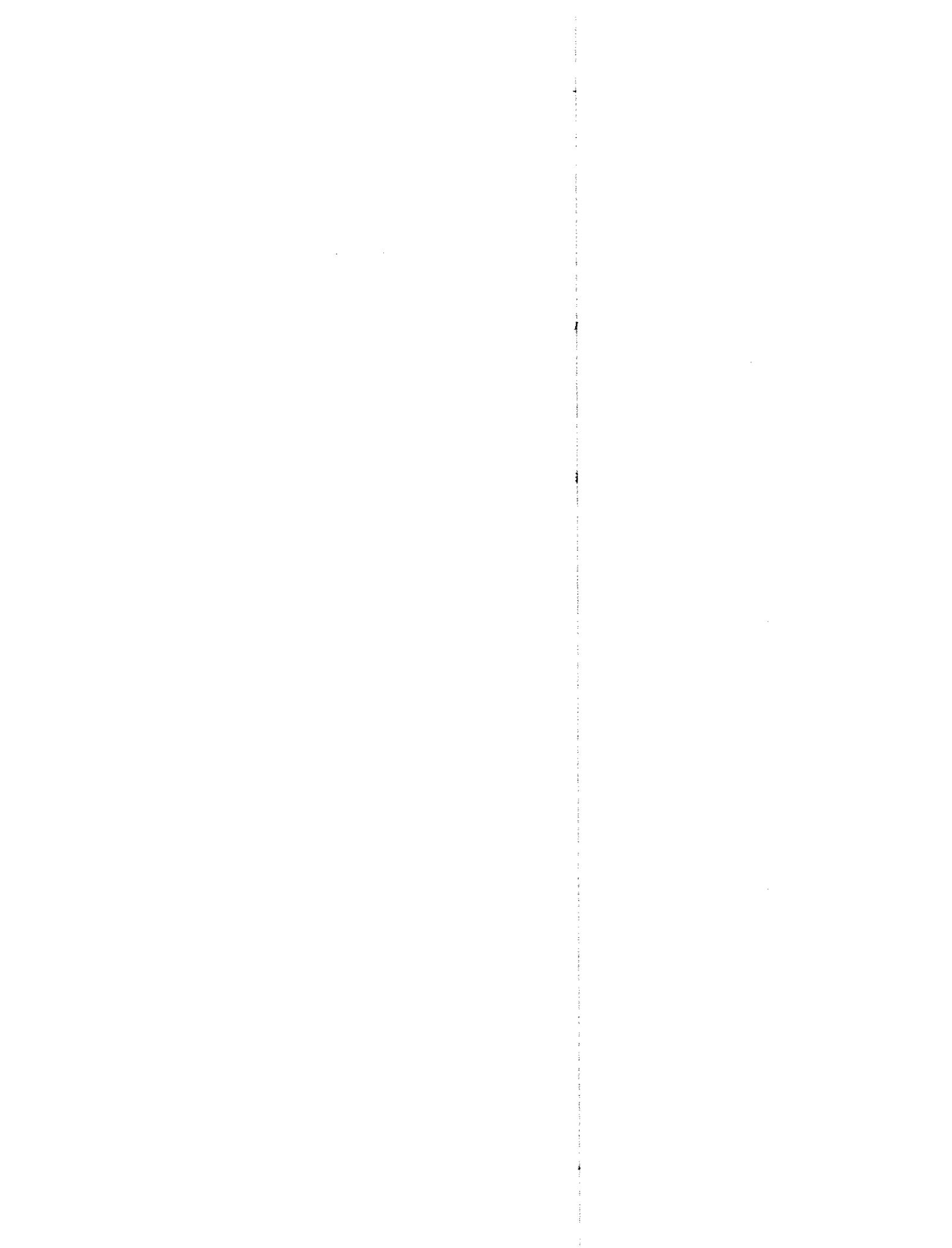
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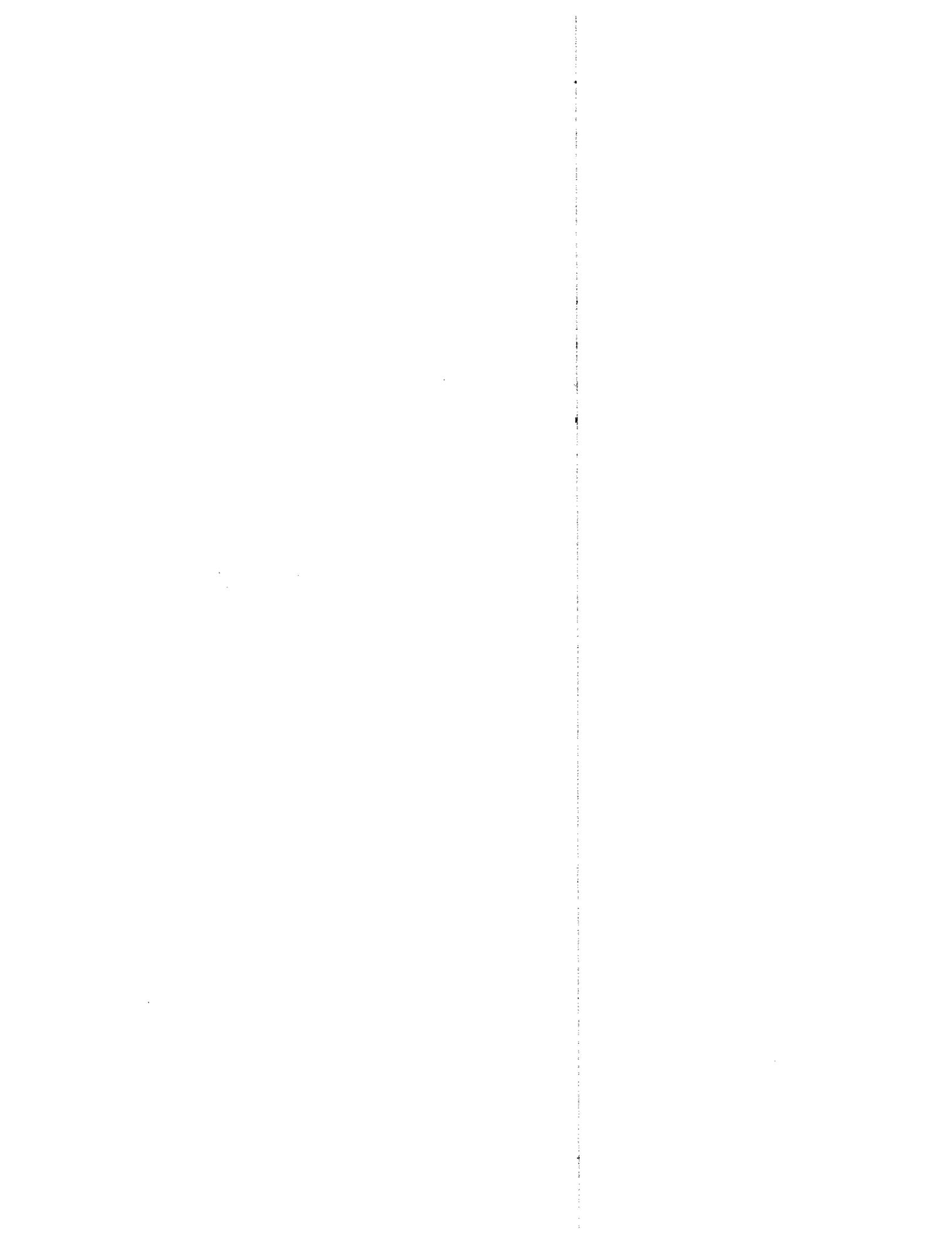
C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO
HEREBY CERTIFY the foregoing Transcript of Hearing before
the Oil Conservation Division (Commission) 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 C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9093,
heard by me on March 18 1987.

David H. Catwood, Examiner
Oil Conservation Division



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 4 March, 1987

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Reading and Bates for
10 compulsory pooling, Rio Arriba
11 County, New Mexico.

CASE
12 9090, 9091,
13 9092, 9093
14 9094

15 *Transcript in*
16 *Case 9090*

17 BEFORE: Michael E. Stogner, Examiner

18 TRANSCRIPT OF HEARING

19 A P P E A R A N C E S

20 For the Commission:

21 Jeff Taylor
22 Legal Counsel for the Division
23 Oil Conservation Division
24 State Land Office Bldg.
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