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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCE DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF:)
 APPLICATION OF TAHOE ENERGY, INC. FOR A)
 NONSTANDARD GAS PRORATION UNIT, LEA) CASE NO. 10228
 COUNTY, NEW MEXICO)
)
 APPLICATION OF TAHOE ENERGY, INC., FOR A)
 NONSTANDARD GAS PRORATION UNIT, LEA) CASE NO. 10229
 COUNTY, NEW MEXICO)
)
 APPLICATION OF TAHOE ENERGY, INC., FOR A)
 NONSTANDARD GAS PRORATION UNTI, LEA) CASE NO. 10230
 COUNTY, NEW MEXICO)
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: Michael E. Stogner, Examiner

February 7, 1991
8:30 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on February 7, 1991, at 8:30 a.m. at the Oil Conservation Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Susan G. Ptacek, a Certified Court Reporter No. 124, State of New Mexico.

FOR: OIL CONSERVATION DIVISION BY: SUSAN G. PTACEK
Certified Court Reporter
CCR No. 1224

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I N D E X

February 7, 1991
Examiner Hearing
Case Nos. 10228, 10229, 10230

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TAHOE ENERGY WITNESSES:	
KENNETH A. FREEMAN	
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A P P E A R A N C E S

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FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Division
 State Land Office Building
 Santa Fe, New Mexico 87504

FOR THE TAHOE ENERGY, CAMPBELL & BLACK, P.A.
INC. Attorneys at Law
 BY: WILLIAM F. CARR, ESQ.
 110 North Guadalupe
 Santa Fe, New Mexico 87501

* * *

1 EXAMINER STOGNER: Call Case No. 10228.

2 MR. STOVALL: Application of Tahoe Energy, Inc., for a
3 nonstandard gas proration unit, Lea County, New Mexico.

4 EXAMINER STOGNER: Call for appearances.

5 MR. CARR: May it please the Examiner, my name is
6 William F. Carr with the law firm of Campbell & Black,
7 P.A., of Santa Fe. I represent Tahoe Energy, Inc., and I
8 have one witness.

9 Initially, Mr. Examiner, I would request that
10 this case be consolidated for purposes of hearing with the
11 following two cases, Cases 10229 and 10230. They are all
12 cases seeking approval of nonstandard gas proration units
13 in the Jalmat and the testimony in each case would be
14 identical.

15 EXAMINER STOGNER: Are there any objections to
16 consolidating these cases? At this time I will call Cases
17 10229 and 10230.

18 MR. STOVALL: Each is the application of Tahoe Energy,
19 Inc., for a nonstandard gas proration unit, Lea County, New
20 Mexico.

21 EXAMINER STOGNER: Are there any other appearances in
22 any of these cases? If not, will the witness please stand
23 and be sworn.

24 (Whereupon the witness was duly
25 sworn.)

1 KENNETH A. FREEMAN,
2 the Witness herein, having been first duly sworn, was
3 examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. CARR:

6 Q. Would you states your full name and place of
7 residence?

8 A. Kenneth A. Freeman. I live at 3107 Stanolind
9 Court in Midland, Texas.

10 Q. By whom are you employed and in what capacity?

11 A. Tahoe Energy, Inc. I'm the president.

12 Q. Have you previously testified before the Oil
13 Conservation Division?

14 A. Yes.

15 Q. And at the time of that prior testimony were
16 your credentials accepted and made a matter of record?

17 A. Yes.

18 Q. Were you qualified as a petroleum engineer at
19 that time?

20 A. Yes.

21 Q. Are you familiar with the application filed on
22 behalf of Tahoe in each of the consolidated cases?

23 A. Yes, I am.

24 Q. Are you familiar with the subject area and the
25 proposed nonstandard proration unit?

1 A. Yes.

2 MR. CARR: Are the witness's qualifications
3 acceptable?

4 EXAMINER STOGNER: They are.

5 Q. (By Mr. Carr) Mr. Freeman, would you briefly
6 state what Tahoe seeks with these applications?

7 A. Approval of three nonstandard proration units in
8 the Jalmat pool, Lea County.

9 Q. Why has this matter come before the division for
10 hearing?

11 A. One of these proration units crosses the section
12 line.

13 Q. It was your decision since you were coming for
14 hearing on one to bring all of them before the division
15 today?

16 A. Correct.

17 Q. Would you identify what has been marked as Tahoe
18 Exhibit No. 1 and review that for Mr. Stogner?

19 A. Exhibit 1 shows the proposed nonstandard
20 proration units, and it shows the proposed well locations,
21 if they are approved, where they would be drilled, and it
22 also shows the -- or identifies the offset owners and it is
23 listed by color code in the upper right-hand corner on
24 Exhibit 1.

25 Q. There is one tract, which is the west half of

1 southwest quarter of Section 11 that is not shaded. Who
2 actually owns the working interest under that tract?

3 A. Tahoe Energy does.

4 Q. What is the current status of development in the
5 Jalmat pool in the tracts surrounding the three proposed
6 nonstandard units

7 A. There's no development on these undedicated
8 tracts.

9 Q. What about on the offsetting properties?

10 A. Everything is developed.

11 Q. So other than the tracts that now are controlled
12 by Tahoe, either do have or have had Jalmat production on
13 then?

14 A. Yes.

15 Q. When did Tahoe actually acquire these tracts?

16 A. They were purchased from Mobile Oil Company in
17 late 1990.

18 Q. Would you identify what has been marked as Tahoe
19 Exhibit No. 2?

20 A. It's a copy of the Jalmat pool rules.

21 Q. What are the well locations requirements as set
22 forth in those rules?

23 A. 660 feet from the outer boundary.

24 Q. Will each of the wells you propose for the
25 nonstandard units that are the subject of these hearings,

1 will each of those wells be drilled at standard locations?

2 A. Yes, they will.

3 Q. What is the status of the ownership in the
4 Jalmat under each of these tracts?

5 A. It's one common ownership.

6 Q. Same royalty and same working interest?

7 A. Yes.

8 Q. And Tahoe has all the working interest?

9 A. Yes.

10 Q. In your opinion is all of the acreage which is
11 involved in each of these proration units reasonably
12 presumed to be productive in the Jalmat?

13 A. Yes.

14 Q. Why is that?

15 A. Well, there's been production in all directions
16 surrounding this subject acreage.

17 Q. For that reason you would expect the Jalmat to
18 be productive here?

19 A. I would.

20 Q. How soon do you propose to go forward with your
21 plans to actually drill the wells on these tracts?

22 A. It would be approximately 30 days after approval
23 by the commission.

24 Q. Is Tahoe Exhibit No. 3 an affidavit confirming
25 that notice of each of these applications has been provided

1 to all the offsetting interest owners and all other
2 interest owners in each of the sections affected by these
3 applications?

4 A. Yes.

5 Q. Has any objection been received by Tahoe to this
6 proposal?

7 A. We have received none.

8 Q. In your opinion will granting of these
9 applications result in the recovery of additional reserves
10 from the Jalmat formation that otherwise would not be
11 recovered?

12 A. Yes.

13 Q. In your opinion is this application -- or the
14 applications otherwise in the best interest of conservation
15 and prevention of waste?

16 A. Yes.

17 MR. CARR: Mr. Stogner, at this time we would move the
18 admission of Tahoe Exhibits 1 through 3.

19 EXAMINER STOGNER: Exhibits 1 through 3 will be
20 admitted into evidence in each of these cases.

21 (Tahoe Energy Exhibits 1 through 3
22 were admitted in evidence.)

23 MR. CARR: That concludes my direct examination of
24 Mr. Freeman.

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EXAMINATION

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BY EXAMINER STOGNER:

Q. Mr. Freeman, what are the bounds of these three nonstandard proration units? Do they follow lease lines or how did you determine these?

A. Would you ask that question again, please?

Q. The three proration units which you are applying for today, do they follow lease lines or how actually did you come up with the boundaries of these three particular proration units?

A. Previously we had a farmout in acreage approximately a mile and a half north of this, and after we had -- we basically drilled all but one well. It's in Section 3 to the north is where most of the acreage is located that has been developed, and we were approached by Mobile if we would be interested in acquiring their interest. And we had looked at what was available and this is what we came up with to get 160-acre proration units on two of them. One will only be an 80-acre unit, the one to the south in Section 22.

Q. In looking at the map, the one in the northeast quarter of Section 15, is that the I. R. Stewart lease?

A. Yes.

Q. The one in blue, which takes in the southern portion of Section 10 and the northwest -- I'm sorry. The

1 northeast of the northwest quarter in Section 15 that
2 crosses the section line, is that in one single lease or is
3 that going to be a communitization?

4 A. That is one single lease.

5 Q. What is the name of that lease? I can't seem to
6 make it out.

7 A. I believe that is also the Stewart.

8 Q. Now, is this Stewart lease separate than the one
9 in the northeast quarter of 15?

10 A. As to the Jalmat gas rights, it's a common
11 lease, but as to the oil rights to the Langlie-Mattix it
12 was separate.

13 Q. Let's see. Are both of these federal leases
14 or -- are they on state land or fee land or federal land?

15 A. It's on fee and state.

16 Q. Fee and state. Which one is the state lease?

17 A. It's in Section 22. There's 40 acres there
18 that's state.

19 Q. Which of the 40-acre tracts of that proration
20 are state?

21 A. I believe it's the south 40.

22 Q. South 40. And how about the -- in the north
23 part of that 80?

24 A. That is fee ownership.

25 Q. So that will be -- require a communitization

1 agreement?

2 A. Yes.

3 Q. Do you know if any of this acreage, any of these
4 pools, ever been dedicated to Jalmat production previously?

5 A. Not to the Jalmat; not to my knowledge it has
6 not.

7 Q. It appears in looking at Exhibit No. 1 that
8 there was a unit formed that took in this acreage. Would
9 that be the Stewart-Langlie-Mattix unit? Do you know
10 anything about that?

11 A. Yes, that is from -- it's the Langlie-Mattix oil
12 zone that was unitized which is the Queen and the Upper 7
13 River section.

14 Q. And it doesn't cover this formation?

15 A. I mean Lower 7 River section and the Queen.

16 Q. Referring again to Exhibit No. 1, you have some
17 acreage color-coded, purple showing Tenneco and Sabo, brown
18 and so on. Do these necessarily show nonstandard proration
19 units in the Jalmat pool, or are they just offsetting
20 acreage?

21 A. This reflects the offsetting acreage.

22 EXAMINER STOGNER: I have no other questions of
23 Mr. Freeman. Are there any other questions of this
24 witness? If not, he may be excused.

25 Mr. Carr, do you have anything further in this

1 case.

2 MR. CARR: Nothing further, Mr. Stogner.

3 EXAMINER STOGNER: Does anybody else have anything
4 further in any of these three cases? If not, Cases 10228,
5 229 and 230 will be taken under advisement at this time.

6 (Whereupon, the hearing was concluded at the
7 approximate hour of 8:40 a.m.)

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

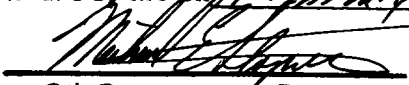
3 REPORTER'S CERTIFICATE

4
5 I, Susan G. Ptacek, a Certified Court Reporter and
6 Notary Public, do HEREBY CERTIFY that I stenographically
7 reported the proceedings before the Oil Conservation
8 Division, and that the foregoing is a true, complete and
9 accurate transcript of the proceedings of said hearing as
10 appears from my stenographic notes so taken and transcribed
11 under my personal supervision.

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

15 DATED at Santa Fe, New Mexico, this 11th day of March,
16 1991.

17
18 
SUSAN G. PTACEK
19 My Commission Expires: Certified Court Reporter
December 10, 1993 Notary Public

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
the Examiner hearing of Case Nos. 10228, 10229, + 10230
23 heard by me on 7 February 19 91.
24 , Examiner
Oil Conservation Division