

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

5 November 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer
Drilling Corporation for compulsory
pooling and an unorthodox oil well
location, Rio Arriba County, New
Mexico.

CASE
9024

Application of Benson-Montin-Greer
Drilling Corporation for an unortho-
dox oil well location, Rio Arriba
County, New Mexico.

CASE
9025

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor
Legal Counsel for the Division
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For the Applicant:

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I N D E X

DAN NUTTER

Direct Examination by Mr. Ives 4

E X H I B I T S

CASE 9024

BMG Exhibit One, Plat 5

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CASE 9025

BMG Exhibit One, Plat 10

BMG Exhibit Two, C-102 11

BMG Exhibit Three, Topographic Map 11

1 MR. STOGNER: We'll call next
2 Case Number 9024.

3 MR. TAYLOR: The application of
4 Benson-Montin-Greer Drilling Corporation for a compulsory
5 pooling and an unorthodox oil well location, Rio Arriba
6 County, New Mexico.

7 MR. STOGNER: Call for appear-
8 ances.

9 MR. IVES: Peter Ives with
10 Campbell and Black on behalf of Benson-Montin-Greer Drilling
11 Corporation.

12 Initially I would like to ad-
13 vise this tribunal that we would dismiss our compulsory
14 pooling portion of this application in light of the earlier
15 oral approval of unitization, which should preclude, we
16 hope, any necessity for compulsory pooling in this area.
17 It's my understanding that that order is to be issued
18 shortly.

19 MR. TAYLOR: Off the record.

20 (Thereupon a discussion was had off the record.)

21 MR. STOGNER: Back on the re-
22 cord here.

23 MR. IVES: As an initial matter
24 I might ask that our presentation of this matter be consoli-
25 dated with Case 9025, which is an additional application by

1 Benson-Montin-Greer Drilling Corporation for an unorthodox
2 oil well location in Rio Arriba County, New Mexico, if that
3 is acceptable to this tribunal.

4 I will be presenting one wit-
5 ness in each of those cases, who is the same person, so that
6 might expedite matters here.

7 MR. STOGNER: Let the record
8 shows that Case Number 9024 and 9025 will be consolidated
9 for the purpose of testimony.

10 MR. IVES: Mr. Examiner, I have
11 one witness and would request that he be sworn.

12 MR. STOGNER: Will the witness
13 please stand?

14 (Witness sworn.)

15
16 DANIEL S. NUTTER,
17 being called as a witness and being duly sworn upon his
18 oath, testified as follows, to-wit:

19
20 DIRECT EXAMINATION

21 BY MR. IVES:

22 Q Will you please state your name and resi-
23 dence for the record?

24 A Dan Nutter, Santa Fe, New Mexico.

25 Q Mr. Nutter, have you appeared previously

1 before this tribunal and had your qualifications accepted
2 and made a matter of record before this tribunal?

3 A Yes, I have.

4 MR. IVES: Mr. Examiner, I
5 would tender the witness as an expert petroleum engineer for
6 purposes of these applications.

7 MR. STOGNER: Mr. Nutter is so
8 qualified.

9 Q Mr. Nutter, are you familiar with the ap-
10 plications in Case Numbers 9024 and 9025, the areas that
11 each concern, and the matters at issue in these applica-
12 tions?

13 A Yes, I am.

14 Q Could you please state what is sought in
15 application 9024?

16 A In Case Number 9024 the applicant,
17 Benson-Montin-Greer Drilling Corporation is seeking approval
18 for an unorthodox location for its Canada Ojitos Unit 36
19 Well No. A-20. This well would be located 1200 feet from
20 the north line and 415 feet from the east line of Section
21 20, Township 25 North, Range 1 West, in Rio Arriba County,
22 New Mexico.

23 Q Now, Mr. Nutter, have you brought any ex-
24 hibits with you today?

25 A Yes, I have. Exhibit Number One in Case

1 Number 9024 is an area plat of the Canada Ojitos Unit Area.
2 Outlined in red in Section 20 of Township
3 25 North, Range 1 West, is Section 20, and the proposed un-
4 orthodox location is identified by a red circle, indicated
5 by a red arrow, and the designation A-20, which is the num-
6 ber of the well.

7 You can see that this is on the interior
8 boundaries of the Canada Ojitos Unit and does not concern
9 any other operators, offset operators, other than the unit
10 operator.

11 Q And is there anything else in connection
12 with Exhibit One which would be helpful to the tribunal in
13 evaluating this application?

14 A No, I think not, not with respect to this
15 exhibit.

16 Q Would you move to Exhibit Two and if you
17 could identify that and explain what it shows?

18 A Exhibit Two is a reproduction of Oil
19 Conservation Division Form No. C-102, Well Location and
20 Acreage Dedication Plat, reproduced on a pink sheet of
21 paper. This shows the actual location of the well 1200 feet
22 from the north line and 415 feet from the east line of Sec-
23 tion 20.

24 The location has been staked and surveyed
25 and certified by a registered land surveyor.

1 Q And if you could, please identify and --
2 Exhibit Three and relate what that exhibit shows.

3 A Exhibit Three is a portion of the USGS
4 Topographic Quadrangle entitled Llaves, New Mexico.

5 Section 20, the location of the well, is
6 outlined in red, and the well location itself is indicated
7 by a red circle.

8 You'll note that that well location has
9 been moved down into a valley on the topographic map and
10 it's the only location in the northeast quarter of Section
11 20 that is not covered by either ravines or by heavy timber,
12 and that was the reason for the location being selected at
13 the point it is, to cause the least amount possible of dis-
14 turbance to the forest in the area.

15 It's right near Laguna Simon where there
16 aren't any trees right at that point.

17 Q Let me ask you, Mr. Nutter, will the
18 granting of this application protect correlative rights and
19 prevent waste?

20 A It cannot impair correlative rights be-
21 cause it's in the unit area and it will prevent waste by
22 being able to drill the well and recover the hydrocarbons
23 that are in place in this area.

24 Q Let me ask you, Mr. Nutter, is there any-
25 thing else you have to say in regards to this application?

1 A No, there's nothing further.

2 MR. IVES: Mr. Examiner, those
3 are all the questions I have of this witness.

4 I would like to state for the
5 record that in connection with 9024 and 9025 we are seeking
6 an expedited order and would ask for verbal authorization as
7 soon as possible in light of the fact that a rig is ready
8 and waiting to begin drilling and Benson-Montin-Greer hopes
9 to beat as much of the winter weather as is possible.

10 MR. STOGNER: Let the record
11 also show that I'll take administrative notice of Case Num-
12 ber 8952, which is the unitization case heard before the
13 Commission a few months ago.

14 Also for the record, Mr. Ives,
15 my recommendation to the Commission or to the Director is
16 just that, a recommendation. I am unable to give you verbal
17 today, but I would suggest you speak with Mr. Stamets after
18 this hearing at which time I'll probably be prepared to give
19 him a recommendation and let it come from him.

20 MR. IVES: I appreciate that.
21 I simply wanted to make that a matter of record.

22 MR. NUTTER: Mr. Stogner, with
23 respect to your remarks concerning the other case, the sta-
24 tutory unitization, I would point out that that well, No. A-
25 20, is located in the northeast quarter of Section 20 and

1 it's that quarter section, the north half and the southeast
2 quarter of Section 20, is a Reading and Bates lease, which
3 is committed to the unit.

4 The southwest quarter of the
5 northeast quarter is a Mountain States lease, which is not
6 committed to the unit and will not be committed to the unit
7 until the statutory unitization is effective; however, the
8 well is not being drilled on the Mountain States lease and
9 in the event there is a hang-up or a delay in final approval
10 of the statutory unitization, Benson-Montin-Greer will re-
11 turn to this Commission and seek compulsory pooling of Sec-
12 tion 20.

13 MR. STOGNER: The way I under-
14 stand it, there was a verbal given by the Commission on that
15 unitization to authorize that unit agreement, is that cor-
16 rect?

17 MR. IVES: That is my under-
18 standing.

19 MR. NUTTER: And that was the
20 reason we dismissed the compulsory pooling at this time but
21 it's -- like I say, if there should be some sort of a hang-
22 up, we would come back for compulsory pooling of the entire
23 section.

24 MR. STOGNER: Thank you, Mr.
25 Nutter.

1 Mr. Ives?

2 MR. IVES: The final matter in
3 connection with 9024 would be moving the admission of the
4 exhibits into evidence in this proceeding.

5 MR. STOGNER: Good point. Ex-
6 hibits One, Two, and Three for Case Number 9024 will be ad-
7 mitted into evidence.

8 Q Mr. Nutter, let me draw your attention to
9 Case Number 9025. Have you brought any exhibits with you in
10 connection with that matter?

11 A Yes, I have. We have three exhibits in
12 that case.

13 Q And could you please identify Exhibit One
14 and relate what that exhibit shows?

15 A Exhibit One is similar to Exhibit One in
16 Case Number 9024. It is a map of the Canada Ojitos Unit.
17 Outlined in red is Section 17, which would be the acreage
18 dedicated to the proposed well. The proposed well is iden-
19 tified as being D-17 in the northwest quarter of Section 17
20 of Township 25 North, Range 1 West.

21 Q And is this also part of the unitization
22 that was considered in Case -- Case Number 8952?

23 A Yes, but this entire tract is dedicated
24 and committed to the unit.

25 I would also point out that Section 17 is

1 also an interior section in this unit, so it's offset by
2 unitized acreage in all directions.

3 Q If I could ask you now to turn to Exhibit
4 Two and relate what that is and what it shows?

5 A On a yellow sheet of paper is reproduced
6 New Mexico Oil Conservation Division Form No. C-102, which
7 is the Well Location and Acreage Dedication Plat.

8 It shows the location of the proposed
9 Benson-Montin-Greer Drilling Corporation Canada Unit -- Oji-
10 tos Unit 35 No. D-17.

11 The well would be located 1200 feet from
12 the north line and 300 feet from the west line of Section
13 17, Township 25 North, Range 1 West, in Rio Arriba County,
14 New Mexico.

15 The location has been staked and surveyed
16 and certified by a registered land surveyor.

17 Q And if I could ask you to do similarly
18 with Exhibit Three.

19 A Okay, Exhibit Three is a portion of the
20 USGS Topographic Quadrangle entitled Llaves, New Mexico.

21 Outlined in red is Section 17 of 25
22 North, Range 1 West, and the well location is shown in the
23 extreme western side of the northwest quarter of that sec-
24 tion. You'll see that it is located in a canyon that's com-
25 ing down through there and there are possibly other loca-

1 tions in Section 17 which would be suitable for drilling;
2 however, there are many Indian artifacts in there and for
3 the reason of archaeological clearance, the location was
4 picked at this point; however, as noted previously, all ac-
5 reage offsetting the section is committed to the unit and we
6 do not feel this would cause any problem.

7 Q Let me ask you, Mr. Nutter, because I
8 don't believe I asked with regards to 9025, would you please
9 state what is sought in the application?

10 A An unorthodox location at the point pre-
11 viously described, which would be an exception to Rule 4 of
12 Order Number R-2565-B, which are the pool rules for the West
13 Puerto Chiquito-Mancos Pool.

14 The pool rules require that wells be lo-
15 cated at least 1650 feet from the outer boundary of the sec-
16 tion and not closer than 330 feet to an interior quarter
17 quarter section line.

18 Q Would that same rule apply to 9024 in is
19 seeking a variance part of that case as well?

20 A Yes. The Case Number 9024 the well was
21 closer than 330 feet to the interior quarter section line
22 and in Case Number 9025 it's closer than 1600 feet and also
23 closer than 330 feet to an interior section line.

24 Q Let me ask you, Mr. Nutter, in your opin-
25 ion would the granting of this application be in the inter-

1 est of conservation, protect correlative rights, and prevent
2 waste?

3 A Yes, it would.

4 MR. IVES: Those are all the
5 questions I have of this witness, and would reiterate for
6 the record our desire for an expedited order and verbal
7 authorization as soon as possible.

8 MR. STOGNER: The record will
9 so show.

10 I have no questions of Mr. Nut-
11 ter.

12 Are there any other questions
13 of this witness?

14 MR. IVES: The only other mat-
15 ter would be again to move the entrance of Exhibits One
16 through Three in Case Number 9025 into evidence.

17 MR. STOGNER: Exhibits One,
18 Two, and Three in Case Number 9025 will be admitted into
19 evidence at this time.

20 Is there anything further in
21 Case Numbers -- either Case Number 9025 or 9024?

22 MR. IVES: Let me just ask, be-
23 cause I'm not clear with regards to entries of appearance.
24 I believe you asked for entries of appearance in 9024 prior
25 to the consolidation. I wasn't sure if it was necessary to

1 ask in 9025.

2 MR. STOGNER: It's all one
3 transcript so your appearance will be entered in both cases.

4 Mr. Nutter, you may step down.

5 These cases will be taken under
6 advisement.

7

8 (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 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 this portion 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 said hearing of Case No. 9024 and 9025 heard by me on 5 November 1986.

Michael P. Stogard, Examiner
Oil Conservation Division