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

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:) CASE NO. 10245
APPLICATION OF CONOCO, INC., FOR)
POOL CREATION, LEA COUNTY,)
NEW MEXICO)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 21, 1990
10:30 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on February 21, 1990, at 10:30 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Paula Wegeforth, Certified Court Reporter No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION BY: PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264

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February 21, 1991
Examiner Hearing

CASE NO. 10245

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APPEARANCES

STATEMENT:

By Mr. Kellahin

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REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
 Attorneys at Law
 BY: W. THOMAS KELLAHIN, ESQ.
 117 North Guadalupe
 Santa Fe, New Mexico 87501

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1 EXAMINER CATANACH: At this time we will call
2 Case 10245.

3 MR. STOVALL: Application of Conoco, Inc., for pool
4 creation, special pool rules and contraction of the
5 Blinebry Oil and Gas and Warren-Tubb Gas Pools, Lea County
6 of New Mexico.

7 EXAMINER CATANACH: Are there appearances in this
8 case?

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
10 Santa Fe law firm of Kellahin, Kellahin & Aubrey, appearing
11 on behalf of the applicant, Conoco, Inc.

12 EXAMINER CATANACH: Any other appearances?

13 MR. STOVALL: No.

14 MR. KELLAHIN: Mr. Examiner, we would like to
15 recommend that to resolve this current case, you take this
16 case under advisement after incorporating by reference the
17 transcript, exhibit and testimony that we presented before
18 Examiner Morrow on January 24th in Division Examiner
19 Case 10220. That was the case heard on behalf of Conoco to
20 create their Blinebry Cooperative Water Flood Project out
21 of a project out of the Blinebry or Tubb Pools.

22 At the time we filed that application, we also
23 concurrently filed the application that's the subject of
24 today's case. In visiting with Mr. Stogner about the
25 docketing, it was his belief at the time of the

1 January 24th docket it was not necessary to have the
2 nomenclature case. On further visits with him, he changed
3 his mind and suggested that we should also docket the
4 nomenclature case that you have before you today.
5 Unfortunately, they ended up running on separate dockets.

6 We are aware of the two cases running
7 separately, and so at the time of the Conoco presentation
8 in January 24th, we believe we have answered in detail all
9 the necessary factual components so that Mr. Morrow might
10 address the water flood application and so that either you
11 or he can address this nomenclature case today.

12 We have yesterday drafted and submitted to
13 Examiner Morrow a proposed order for entry in this case,
14 and I tender to you another copy of that same order. You
15 already have one.

16 You already have one?

17 EXAMINER CATANACH: I've got one right here,
18 Mr. Kellahin.

19 MR. BRUCE: How did you get one?

20 EXAMINER CATANACH: I'm privileged.

21 MR. KELLAHIN: Anyway --

22 MR. STOVALL: It's in the case file. That's where
23 they go when you send them to us.

24 MR. KELLAHIN: I didn't know anybody read those
25 things.

1 There were a couple of items that may come up in
2 deciding the draft order. The two items that I'm aware of
3 is the necessity for the simultaneous dedication of
4 potential gas wells to acreage that would include oil
5 wells. We've asked for that both in the notice of hearing
6 in the prior hearing and as well as the draft order. We
7 think it's necessary. It's a matter of convenience. It is
8 an often-done practice. Mr. Hoover testified in the prior
9 case about that fact.

10 Mr. Hoover also testified about the necessity
11 not to have a gas-oil ratio limitation on any of the gas
12 wells. It's not a necessary component of Conoco's case.
13 The reason that question came up is that this is
14 immediately north of the Shell Water Flood Project area,
15 which is structurally slightly different, and that water
16 flood had an active gas-producing interval in it that they
17 dealt with for years.

18 The explanation from the technical people at
19 Conoco is that they did not forecast nor did they now see a
20 gas component to the water flood that was similar to the
21 Shell water flood. And that discussion was had at length
22 before Examiner Morrow, so we think that issue is covered.

23 I am unaware of any other issues that have been
24 raised to me concerning the entry of the order. I have
25 simply taken the Shell nomenclature order and used it as a

1 sample to draft this proposed order that you're looking at
2 now.

3 If there are additional questions, I'll try to
4 answer them. If I'm unable to answer them, perhaps we can
5 submit by letter subsequent to the hearing an explanation
6 from Conoco's technical people on items in the order that
7 you think are necessary to address.

8 EXAMINER CATANACH: Mr. Kellahin, I haven't been
9 through the evidence testimony or transcript in that
10 previous case so it's kind of difficult for me, but the --
11 a couple of the things that I had questions on -- see, I'm
12 not sure. Are there any gas wells producing in -- within
13 the unit?

14 MR. KELLAHIN: Yes, sir. My recollection is there are
15 two, the -- substantially depleted. We'll have to identify
16 and describe them for you, and I could pick them out of the
17 exhibit book. I can't do it at this moment.

18 There is a future potential in the Tubb gas
19 interval in the southern portion of this water flood, and
20 the plan of operation from the operation engineer -- in his
21 testimony he said that when they went into new wells to be
22 drilled in the water flood, they would be very careful to
23 test for the gas production separately, and that if it was
24 commercial, they would produce that to depletion before
25 integrating that into the water flood. And so there is an

1 explanation in the record about how he's going to drill
2 future gas wells.

3 But I can identify for you and submit to you
4 following the hearing the location and the current
5 producing status of probably not more than two, I think, of
6 the Tubb gas wells in the unit.

7 EXAMINER CATANACH: Okay. Then, in that case, on your
8 proposed Rule No. 5 -- I'm sorry -- rule -- right. Okay.
9 Proposed Rule 5.

10 In the original northeast Drinkard Unit we had a
11 restriction that a gas well couldn't be -- the proration
12 for a gas well couldn't be located closer than 1320 feet
13 from the outer boundary of the unit, and your proposed
14 rules do not include that restriction. I'd like to get
15 some more information on that.

16 MR. KELLAHIN: Okay.

17 EXAMINER CATANACH: Your proposed Rule No. 8 permits
18 comingling of oil and gas zones in the well bores?

19 MR. KELLAHIN: Yes.

20 EXAMINER CATANACH: The original northeast Drinkard
21 Unit did not permit that.

22 MR. KELLAHIN: Right.

23 EXAMINER CATANACH: And I'll want that addressed also,
24 if I can.

25 MR. KELLAHIN: I think we may have to -- I will

1 supplement that to you because if we wait for the
2 transcript, it may be a while. It is in the transcript
3 when it's printed, but I will answer that for you
4 separately.

5 EXAMINER CATANACH: Okay.

6 MR. KELLAHIN: The basic reason is that in -- unlike
7 the Shell unit, this Conoco unit, the remaining gas
8 production is minimal. They are highly depleted gas wells,
9 and there should not be any cross-flow or comingling in the
10 Conoco unit.

11 But I will get the information on that rule for
12 you.

13 EXAMINER CATANACH: In the original northeast Drinkard
14 unit we also had a provision whereby the pool could not be
15 expanded -- only after notice and hearing -- and you've got
16 an administrative procedure in the rules. You might
17 address the need for that or -- as well.

18 And that's really all I have.

19 MR. KELLAHIN: We will respond in writing.

20 My understanding is the preclusion of expansion
21 of the Shell unit in the absence of hearing was because of
22 the concern over that Tubb gas that was sandwiched into
23 their unit, and there was a lot of concern about the gas
24 wells immediately outside that unit, and if there was to be
25 an expansion, it was to be done through the hearing

1 process.

2 Again, we think the necessity for that is not
3 necessary in our unit, and we'll give you a written
4 explanation.

5 EXAMINER CATANACH: Okay. And basically that's all I
6 have, Mr. Kellahin.

7 MR. KELLAHIN: Thank you. If that's it, then we'll go
8 ahead and incorporate the record and the evidence and
9 testimony in Case 10220, and we'll take Case 10245 under
10 advisement.

11 MR. STOVALL: I don't get to cross-examine
12 Mr. Kellahin?

13 EXAMINER CATANACH: Oh, sorry. Did you want to?

14 MR. STOVALL: It thought it would be kind of fun.

15 MR. KELLAHIN: Later.

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17 (The foregoing hearing was concluded at the
18 approximate hour of 10:45 a.m.)

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