

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. 11,153 |
| |) | |
| APPLICATION OF AMOCO PRODUCTION |) | |
| COMPANY |) | |
| _____ |) | |

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 19th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, January 19th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

January 19th, 1995
 Examiner Hearing
 CASE NO. 11,153

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| APPEARANCES | 3 |
| APPLICANT'S WITNESSES: | |
| <u>GARY WEITZ</u> | |
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| <u>BILL HAWKINS</u> | |
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* * *

E X H I B I T S

| | Identified | Admitted |
|-----------------------|------------|----------|
| Exhibit 1 | | |
| (pages 1 through 10) | 6 | 9 |
| (pages 11 through 13) | 12 | 16 |
| Exhibit 2 | 8 | 9 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:17 a.m.:

3 EXAMINER STOGNER: Call next case, Number 11,153.

4 MR. CARROLL: Application of Amoco Production
5 Company for surface commingling, San Juan County, New
6 Mexico.

7 EXAMINER STOGNER: Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan.

11 We represent Amoco Production Company, and I have
12 two witnesses.

13 EXAMINER STOGNER: Are there any other
14 appearances?

15 Will the witnesses please stand to be sworn in at
16 this time?

17 (Thereupon, the witnesses were sworn.)

18 EXAMINER STOGNER: Mr. Carr?

19 GARY WEITZ,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Will you state your name for the record, please?

25 A. My name is Gary Weitz. Last name is spelled

1 W-e-i-t-z.

2 Q. Mr. Weitz, where do you reside?

3 A. Denver, Colorado.

4 Q. By whom are you employed?

5 A. Amoco Production Company.

6 Q. What is your current position with Amoco?

7 A. I'm a petroleum landman.

8 Q. Have you previously testified before this
9 Division?

10 A. Yes, I have.

11 Q. At the time of that testimony, were your
12 credentials as a petroleum landman accepted and made a
13 matter of record?

14 A. Yes, they were.

15 Q. Are you familiar with the Application filed in
16 this case on behalf of Amoco?

17 A. Yes, I am.

18 Q. And are you familiar with the status of the lands
19 in the subject area?

20 A. Yes, I am.

21 MR. CARR: Are the witness's qualifications
22 acceptable?

23 EXAMINER STOGNER: They are.

24 Q. (By Mr. Carr) Mr. Weitz, would you refer to the
25 exhibit booklet which has been marked Amoco Exhibit Number

1 1 and just identify the first page in that exhibit booklet
2 for Mr. Stogner?

3 A. Yes, that's a copy of the Application that we
4 filed with the OCD.

5 Q. Would you now go to the second page, a copy of
6 OCD form C-102, and using this exhibit, review for the
7 Examiner exactly what Amoco is seeking in this case?

8 A. This is an acreage dedication plat, and Amoco is
9 seeking an order from the Division authorizing the surface
10 commingling of production from the Basin-Dakota Gas Pool
11 and the Blanco-Mesaverde Gas Pool in the Amoco Martinez Gas
12 Com G Number 1 well, located at a standard location in both
13 pools of 1190 feet from the north line and 790 feet from
14 the east line of Section 24, Township 29 North, Range 10
15 West, San Juan County, New Mexico.

16 Q. What acreage is to be dedicated to the well?

17 A. It will be the north half of Section 24.

18 Q. This well was originally drilled back in 1965; is
19 that right?

20 A. That's correct.

21 Q. And this is the C-102 that was filed at that
22 time?

23 A. That's correct.

24 Q. Originally, the well was dually completed in both
25 the Mesaverde and the Dakota?

1 A. That's correct.

2 Q. What is the character of the lands on which this
3 well is located?

4 A. This land is fee land, with several owners.

5 Q. And it has been communitized?

6 A. Yes, it has.

7 Q. Let's go to the next page in this exhibit. Would
8 you identify and review that for Mr. Stogner?

9 A. Yes, this is an offset owner plot for the
10 Mesaverde formation.

11 Q. And basically with the numbering system at the
12 bottom, it shows that all offsetting tracts in the
13 Mesaverde formation are either held by or operated by Amoco
14 or Southland Royalty Company?

15 A. That's right.

16 Q. All right. The next page, Exhibit 4 (sic)?

17 A. This is also an offset owner plot for the Dakota
18 formation with the offset owners being Amoco, Southland
19 Royalty and Meridian.

20 Q. Now, behind these plats you have about five
21 pages. Could you explain what is set forth on these pages
22 in Exhibit 1?

23 A. Yes, this exhibit indicates the working interest
24 owners, the royalty owners, and the overriding royalty
25 owners for the Mesaverde and the Dakota formations. As you

1 will see, they're common, and the only discrepancy is that
2 within the override, where there's a slight difference in
3 the override on several owners.

4 Q. And that slight difference, then, would also be
5 reflected in the slight difference in the working interest?

6 A. That's correct.

7 Q. All the owners are set forth on pages 5 through
8 10 of this exhibit?

9 A. Yes, they are.

10 Q. And that includes the ownership in both the
11 formations that going to be commingled?

12 A. Yes, they are.

13 Q. Has a copy of this Application been provided by
14 certified mail to each of the individuals identified in
15 Exhibit 1?

16 A. Yes, they were.

17 Q. And is Exhibit Number 2 in the back of the
18 exhibit book an affidavit confirming that that notice has
19 been provided in accordance with OCD rules?

20 A. Yes, it is.

21 Q. Will Amoco also be calling an engineering witness
22 to review the technical portions of this case?

23 A. Yes, we will.

24 Q. Were pages 1 through 10 of Exhibit 1, and Exhibit
25 2, either prepared by you or compiled at your direction?

1 A. Yes, they were.

2 MR. CARR: At this time, Mr. Stogner, I move the
3 admission of the first ten pages in the exhibit book, which
4 is marked Amoco Exhibit 1, and also Exhibit 2.

5 EXAMINER STOGNER: The first ten pages of Exhibit
6 Number 1 will be admitted into evidence.

7 And what was the other pages?

8 MR. CARR: That's Exhibit 2. That's just the
9 notice affidavit which is included inside the back cover of
10 the exhibit.

11 EXAMINER STOGNER: And Exhibit Number 2 will be
12 admitted at this time.

13 MR. CARR: And that concludes my direct
14 examination of Mr. Weitz.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. Okay, Mr. Weitz, the only reason we're here
18 today, because of the -- there's a provision in the general
19 rules and regulations that won't allow administrative
20 approval of surface commingling if the interests are not
21 common throughout both proration units; is that correct?

22 A. That's correct.

23 Q. And so you have laid out those interest
24 differences on that one page, oh, after the overriding
25 royalty interest ownership?

1 A. That's right.

2 Q. I take it these interests have been -- or this
3 well has been paying out to these interest parties since
4 the inception of this well back in about 1965; is that --

5 A. Yes, that's correct.

6 Q. As far as you know, both zones are producing and
7 continuing paying out to the parties?

8 A. Yes.

9 Q. Now, are some of these parties that you have that
10 have different overriding royalty interests, do they also
11 have working interest ownership in both zones?

12 A. Let me just check.

13 Q. I was looking at that Krieger Trust of Aurora,
14 Colorado. Their name also shows up on the working
15 interest.

16 A. Right, then she would appear to be as a working
17 interest owner to them.

18 Q. But that interest has not changed?

19 A. No, it has not.

20 Q. Her working interest?

21 A. No, it has not.

22 Q. Same with the Candace and Kelton Fox (sic)
23 interest?

24 A. Yes.

25 Q. And the George Fergen (sic)?

1 A. Yes.

2 EXAMINER STOGNER: I have no other questions of
3 this witness, Mr. Carr. He may be excused.

4 MR. CARR: Thank you, Mr. Stogner.

5 At this time, we call Bill Hawkins.

6 BILL HAWKINS,

7 the witness herein, after having been first duly sworn upon
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. CARR:

11 Q. Will you state your name for the record, please?

12 A. Bill Hawkins.

13 Q. And where do you reside?

14 A. In Denver, Colorado.

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

16 A. Amoco Production Company as a petroleum engineer.

17 Q. Have you previously testified before this

18 Division and had your credentials as a petroleum engineer
19 accepted and made a matter of record?

20 A. Yes, I have.

21 Q. Are you familiar with the Application filed in
22 this case on behalf of Amoco and the subject well?

23 A. Yes, I am.

24 MR. CARR: Are the witness's qualifications
25 acceptable?

1 EXAMINER STOGNER: They are.

2 Q. (By Mr. Carr) Mr. Hawkins, would you refer to
3 page 11 in the exhibit book, a plat, identify and review
4 this for Mr. Stogner, please?

5 A. Yes, this is a plat showing the location of the
6 Martinez Gas Com G 1 well, up in the northeast of Section
7 24. It also shows the surrounding wells here that are in
8 the Dakota formation.

9 Primarily, I wanted to show by this well symbol
10 this well is completed as a dual well in the Mesaverde and
11 in the Dakota formation.

12 Q. All right, let's look at the next page. Could
13 you identify that plat, please?

14 A. My exhibit shows a production curve for the
15 Mesaverde formation, for the Martinez Gas Com G 1 well.

16 A couple of points I'd like to make.

17 The well has been producing since before 1970 and
18 has been on a fairly natural decline until about 1990, at
19 which point in time we put the Mesaverde formation on
20 compression, and you can see an increase in production
21 from, oh, say about 20 MCFD up to about 250 MCFD, and it
22 has been on compression since then.

23 Recent tests in the Mesaverde is showing that
24 zone to produce about 140 MCFD.

25 Q. And that's on compression?

1 A. On compression.

2 Q. All right. Let's go to the next graph.

3 A. The next graph shows the Martinez Gas Com G 1
4 well production from the Dakota zone.

5 Again, that shows a long production from 1970 to
6 current, and you can see the well has declined in the
7 Dakota. Its current test is about 30 MCFD in that well.

8 Q. Basically, what you're seeking authority to do is
9 tie this zone into the compressor and then commingle at the
10 surface; is that, in essence, what you're doing?

11 A. That's correct. Basically what we would do is
12 take the production stream from the Dakota, tie it directly
13 into the production equipment that the Mesaverde is
14 producing into so that they would share a common separator,
15 a common compressor and common sales line, sales meter.

16 And that would allow us to increase production
17 from the Dakota above the current 30 MCFD rate.

18 Q. Have you recently been permitted to test the well
19 to determine whether or not you will be able to improve the
20 -- increase the production from the Dakota formation?

21 A. Yes, we have. We've run a short-term test
22 commingling the Dakota and the Mesaverde through that
23 production equipment upon approval of the Aztec District.

24 We were able to achieve a total rate of about 175
25 MCFD. That would be the 140 MCFD that had been producing

1 from the Mesaverde and a -- approximately 135 MCFD from the
2 Dakota, which represents roughly 100 MCFD increase over its
3 current producing capacity while it's not on compression.

4 Q. If this Application is approved, will you be able
5 to accurately measure the production from each of these
6 formations?

7 A. Yes, we will. We'll be able to test these wells
8 periodically, say twice a year, to determine what the
9 current capability is from each of the zones and set the
10 allocation percentage for the following six-month period.

11 Q. Basically, describe for Mr. Stogner the
12 facilities that will be used to accomplish this.

13 A. Well, we have a compressor -- excuse me, a
14 separator, a compressor, a dehydration facility and sales
15 meter and a production pit.

16 Basically, both of these zones would share those
17 same common facilities. It would allow us to remove from
18 the location a current separator from the Dakota, a 400-
19 barrel production tank and some of the automation equipment
20 that's there, and use that at some other location in the
21 field.

22 Q. Are you producing significant liquids, volumes of
23 liquid, from either of the formations?

24 A. No, we are not at this point in time. The Dakota
25 has -- is producing, it looks like, about a barrel a day, a

1 fairly small amount.

2 The total cumulative for that is about 15,000
3 barrels of condensate. The Mesaverde shows only about 1000
4 barrels of condensate -- 900 barrels of condensate. So
5 it's a very, very small amount of liquid that's being
6 produced.

7 Q. And what are the gravities, the general range of
8 the liquids being produced?

9 A. It would be 50 degrees API or a little above.

10 Q. Will the commercial value of the production from
11 the well after surface commingling be equal to or greater
12 than the value of the production at this time?

13 A. Yes, it will.

14 Q. In your opinion, will approval of the Application
15 and the surface commingling that you're proposing result in
16 the increased recovery of hydrocarbons?

17 A. Yes, it will.

18 Q. Will it otherwise be in the best interest of
19 conservation, the prevention of waste and the protection of
20 correlative rights?

21 A. Yes, it will.

22 Q. Were Exhibits -- Were pages 11 through 13 of
23 Exhibit 1 prepared by you or compiled at your direction?

24 A. Yes, they were.

25 MR. CARR: At this time, Mr. Stogner, we move the

1 admission of Amoco Exhibit 1, pages 11 through 13.

2 EXAMINER STOGNER: The remainder of Exhibit
3 Number 1 will be admitted into evidence at this time.

4 MR. CARR: And that concludes my direct
5 examination of Mr. Hawkins.

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. Mr. Hawkins, the surface facilities on this
9 particular lease for these two wells, were they sharing the
10 same pad, or were they separated somewhat?

11 A. No, this is the -- This is the same well. It's
12 actually a dually completed wellbore.

13 So it is going to come from the same wellbore to
14 flow lines flowing from that wellhead, and they right now
15 have two separate trains of production equipment with a
16 single compressor on the Mesaverde, and by commingling
17 we'll be able to take one of those flow lines and hook it
18 into a -- all of the production equipment that's currently
19 being used on the Mesaverde and surface commingle and use
20 that compressor to improve production from the Dakota.

21 Q. I knew it was from the same wellbore, but I was
22 just trying to visualize what kind of -- what kind of
23 facilities there were on the surface with these --

24 A. Currently there's two separators, two --

25 Q. Well, I realize that, Mr. Hawkins.

1 A. Okay. Yes, sir.

2 Q. I'm getting after the point -- You're in the
3 middle of downtown Blanco, aren't you, New Mexico, or
4 around that area?

5 A. Well, honestly, I don't know exactly where it is,
6 other than the legal location, but I haven't seen it, so I
7 don't know the -- what the surrounding --

8 Q. Why are you seeking to do this at this time and
9 not before?

10 A. And not before?

11 Q. I mean, you've been producing this thing for
12 what? Thirty years now?

13 A. Right, I guess thereabouts.

14 At this point the production from the Dakota is
15 down to a point where we feel like the pressure would
16 improve production, and we'd like to just use the
17 compressor that's on the Mesaverde, instead of by -- you
18 know, having two compressors out there.

19 Q. If you had two separate facilities, how long do
20 you think it would take before economic limit was -- before
21 you hit the economic limit on the Dakota side and had to
22 shut it in?

23 A. Well, it's -- You know, it's down to about 30
24 MCFD now. Probably -- I mean, my guess is, a few more
25 years and we would be at a point where we could not

1 economically produce that.

2 It could even be less than that if we run into
3 some kind of a flow problem just up the wellbore.

4 Q. What kind of additional production overall do you
5 expect to see from the Dakota by commingling on the
6 surface?

7 A. Approximately 100 MCFD increase over its current
8 rate.

9 Q. Over how long of a time period?

10 A. Well, I'm sure it would follow -- continue to
11 follow some decline. It's been declining at, you know,
12 approximately nine percent a year, so...

13 I haven't made a prediction of what that -- how
14 much extended life that would give us, but we could -- it
15 would certainly increase the ultimate recovery from the
16 Dakota.

17 Q. Will there be any effect to the Blanco-Mesaverde
18 side?

19 A. Should not be any effect.

20 EXAMINER STOGNER: Any other questions of Mr.
21 Hawkins at this time?

22 MR. CARR: I have no further questions of Mr.
23 Hawkins.

24 EXAMINER STOGNER: 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: Case 11,153 will be taken
4 under advisement.

5 (Thereupon, these proceedings were concluded at
6 9:36 a.m.)

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CERTIFICATE OF REPORTER

[illegible]


I, Steven T. Brenner, Certified Court Reporter
and Notary Public, HEREBY CERTIFY that the foregoing
transcript of proceedings before the Oil Conservation
Division was reported by me; that I transcribed my notes;
and that the foregoing is a true and accurate record of the
proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 21st, 1995.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11153,
heard by me on 19 January 1995.
, Examiner
Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317