

NEW MEXICO OIL CONSERVATION COMMISSION

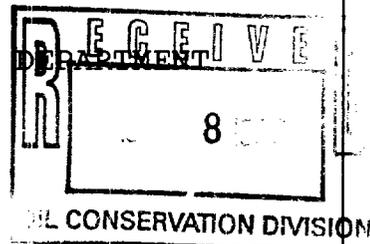
EXAMINER HEARINGSANTA FE, NEW MEXICO

Hearing Date

JULY 25, 1996Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
William F. [Signature]	Campbell, [Signature] & [Signature]	Santa Fe
Jerry Edge	Nearburg Prod Co	Midland, TX
Paul Shelton	Nearburg Prod Co	Midland
Jan Radger	Nearburg Prod. Co.	Texas Midland, TX
[Signature]	Kellahin & Kellahin	Santa Fe
PATRICK TOWER	FARON	MIDLAND
RANDY CATE	"	"
Robert L. Bayless		Farmington
James Bruce	Hinkle Law Firm	SF
EAN KROG	Wisen Oil	DAKAS
Ned Kendrick	Montgomery & Archers	SF
SCOTT + KALL	MILLER LAW FIRM	SF
Dick Morrow	Devon Energy	Oklahoma City
Fred Cornen	"	"
Steve LaFollette	"	"
TERRY GART	POGO Producing Company	Midland, TX

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:)
)
APPLICATION OF ROBERT L. BAYLESS FOR A)
NONSTANDARD GAS PRORATION UNIT, SAN JUAN)
COUNTY, NEW MEXICO)
)

CASE NO. 11,571

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

July 25th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 25th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

July 25th, 1996
 Examiner Hearing
 CASE NO. 11,571

PAGE

APPLICANT'S WITNESS:

<u>ROBERT L. BAYLESS</u> (Applicant, pro se)	
Direct Testimony by the Applicant	4
Examination by Examiner Catanach	5

REPORTER'S CERTIFICATE	14
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	-	-
Exhibit 2	-	-
Exhibit 3	-	-
Exhibit 4	-	-

* * *

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
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

ROBERT L. BAYLESS
 Farmington, New Mexico

* * *

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3
4
5 EXAMINER CATANACH: At this time we'll call Case
6 11,571.

7 MR. CARROLL: Application of Robert L. Bayless
8 for a nonstandard gas proration unit, San Juan County, New
9 Mexico.

10 EXAMINER CATANACH: Are there appearances in this
11 case?

12 MR. BAYLESS: Yes, sir, my name is Robert L.
13 Bayless, Farmington. I've appeared before the Commission
14 before.

15 EXAMINER CATANACH: Okay, any additional
16 appearances in this case?

17 You will be testifying, Mr. Bayless?

18 MR. BAYLESS: Yes, sir.

19 EXAMINER CATANACH: Okay, can I get you to stand
20 and be sworn in?

21 (Thereupon, the witness was sworn.)

22 EXAMINER CATANACH: Okay, Mr. Bayless, if you
23 want, just go ahead and explain the --

24 MR. BAYLESS: Sure.

25 EXAMINER CATANACH: -- the case to us.

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ROBERT L. BAYLESS,

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

DIRECT TESTIMONY

BY MR. BAYLESS: Sure. I have some comments here. How many copies would you like?

EXAMINER CATANACH: Probably three, if you have them.

MR. BAYLESS: We've made application for a nonstandard gas spacing proration unit in the Mesaverde formation, comprising the southeast quarter and the east half of the southwest quarter of Section 10, Township 30 North, Range 11 West, San Juan County.

The background -- Okay, in your exhibits you will see a plat showing the proposed well, and you will also find where we have notified the offsetting acreage holders and the registered receipts coming back from them, along with an AFE.

The history of this proposal is that there was a Pictured Cliff well called the Hazel Bolack 1-10 in the southeast quarter. We own the southeast quarter, and we own that well. We propose to plug back the Pictured Cliff and deepen and complete in the Mesaverde.

The east half of the southeast -- of the southwest, pardon me, the east half has agreed to either

1 join in or to farm out to me. The west half of the
2 southwest is in the town site of Aztec.

3 It was determined, a good many years ago, that it
4 was not feasible nor economically viable to determine the
5 ownership in this town site area, nor to be able to obtain
6 leases.

7 We have a case -- a Division Order, Number
8 R-5966, in Case 6491, May 10th of 1979, for a Pictured
9 Cliff well in the southwest quarter, being located in the
10 east half. That order allocated 80 acres to the Pictured
11 Cliff location and eliminated the west half of the
12 southwest because of the same town site problem.

13 Our request is that we do the same in the
14 Mesaverde formation, asking for the 240-acre spacing for
15 the deepening to the Mesaverde.

16 Perhaps I can answer questions that you may have.

17 I have a copy of the order that I referred to, if
18 you would like to see it.

19 EXAMINER CATANACH: Okay, Mr. Carroll went to --
20 Have you got it?

21 MR. CARROLL: Yeah.

22 EXAMINER CATANACH: He's got it, yeah. We --

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. Mr. Bayless, the well that you referred to in the

1 Order, was that well ever drilled, to your knowledge?

2 A. Called the Mary Shepherd? Yes, it's a Pictured
3 Cliff in the east half of the southwest.

4 To perhaps supplement the information, we've
5 attempted to get the proceedings of hearings that led into
6 this Order from the operators of that well and also from
7 the state, NMOCD, and they are not available.

8 MR. CARROLL: Mr. Bayless, there's really nothing
9 in the Order stating that the determination of ownership in
10 the west half of that quarter is difficult or impossible or
11 to obtain leases. Would the transcript shed additional
12 light on this?

13 MR. BAYLESS: I can't -- I can't tell you
14 absolutely. I have talked to the people that obtained that
15 order, C&E Operators, and I've talked to Meridian, who is
16 the operator of the well. They have both indicated to me
17 basically what I've told you.

18 I think in 1979 they indicated that just to
19 determine ownership was going to cost in excess of \$20,000.
20 They had a bid from a abstract company, and at that point
21 they determined it was not viable to proceed.

22 MR. CARROLL: Do you have any idea approximately
23 how many owners are in that west half?

24 MR. BAYLESS: Many, many. They're all town-site
25 lots.

1 Q. (By Examiner Catanach) Okay, the \$20,000 figure
2 was from Meridian?

3 A. Meridian told me that they -- and I may get a
4 little vague here, but at any rate, at the time in 1979,
5 they, I believe, had a bid of \$20,000 or in excess to
6 determine ownership of the minerals, and that was what led
7 to the exclusion of that 80 acres and the 80-acre proration
8 unit in the Pictured Cliff.

9 Q. Mr. Bayless, you've not made your own estimate of
10 what it might cost you to do this?

11 A. To the extent that I think things are more
12 expensive today than they were in 1979.

13 Q. Do you think it would be in excess of \$20,000 at
14 this point in time?

15 A. I do.

16 Q. Assuming that that's the case, Mr. Bayless, is
17 that -- would having to obtain those -- that information
18 and try and lease that acreage, would that preclude you
19 from recompleting that well?

20 A. It would.

21 Q. Do you have any idea at this point what the
22 Mesaverde might be capable of producing?

23 A. We would consider it a marginal economics, but we
24 do feel it's worth doing, worth attempting. As I pointed
25 out, we'll be plugging back the Pictured Cliff and using

1 that wellbore to deepen to the Mesaverde.

2 Q. So you -- Are you saying you expect marginal
3 production from the Mesaverde?

4 A. Based on the surrounding wells, we do not expect
5 prolific production. We certainly hope that it will be
6 economic production.

7 Q. Do you know what some of the offset Mesaverde
8 wells are producing?

9 A. I do not have that information in this file.
10 They -- this is -- The immediate area is not one of the
11 more prime Mesaverde producing areas in the Basin.

12 Q. Okay. As I understand it, you've got the lease
13 in the southeast quarter of Section 10?

14 A. Yes, sir, we have the lease --

15 Q. And --

16 A. -- and the wellbore.

17 Q. And also the -- Is the east half of the southwest
18 quarter, is that a single lease, or is that --

19 A. It's two leases. One is a fee. There's a 40-
20 acre fee, a 40-acre federal that's communitized for that 80
21 acres. I can give you the ownership in that if it's of
22 interest.

23 Q. That's all voluntarily committed, or will be
24 voluntarily committed to this well?

25 A. It is owned jointly by C&E Operators of Dallas.

1 They have farmed out their interest to me. The other
2 interest in that 80 acres is owned by Meridian, and they
3 have agreed to join in the deepening.

4 Q. Are those the only two interest owners in the
5 proration unit, Meridian and C&E?

6 A. That's correct, yes.

7 Q. Did you -- You did notify Meridian, Amoco and
8 Conoco as offset operators. Did you hear --

9 A. Yes, sir, I think in your exhibit there are the
10 postal receipts.

11 Q. Did you ever hear anything back from any of those
12 companies or --

13 A. Well, as I indicated, Meridian is going to
14 participate. I have not heard back from Conoco or Amoco.
15 However, I do talk to those companies frequently about
16 other situations, and they certainly would be able to
17 contact me.

18 Q. I guess the biggest expense you're looking at in
19 terms of trying to find the interest owners would be the
20 title work involved in actually trying to find the interest
21 owners?

22 A. What I was told was, the first problem and the
23 significant problem is to identify the mineral owners. The
24 preliminary work we've done is that the town site of Aztec
25 is of a sufficient age that when subdivisions were created

1 many years ago, the value of oil and gas minerals was not
2 appreciated, and those minerals were not reserved to the
3 large-acreage subdivider. So the minerals went with each
4 lot.

5 Q. So once you would have them identified, then you
6 would have to try and get a lease from them, or --

7 A. You have to identify them, then locate them, then
8 obtain the lease. And you'd be talking, in nearly every
9 instance, in a fraction of an acre.

10 MR. CARROLL: Mr. Bayless, are we looking at
11 hundreds of potential owners or dozens or --

12 MR. BAYLESS: No, sir, I think you're looking at
13 more than dozens. What I'm led to believe would be in the
14 low hundreds, not the high hundreds.

15 MR. CARROLL: Like two or three hundred?

16 MR. BAYLESS: I hesitate just to be nailed down,
17 but that was the indication that we were looking at
18 quarter-acre lots, for example.

19 MR. CARROLL: Does the City of Aztec --

20 MR. BAYLESS: And the problem is that those lots
21 have been divided and so forth. It's just a very difficult
22 area.

23 MR. CARROLL: Is this at the northwest part of
24 Aztec?

25 MR. BAYLESS: No, sir, it's at the east.

1 MR. CARROLL: East?

2 MR. BAYLESS: East side of Aztec.

3 MR. CARROLL: That's what I meant, northeast.

4 MR. BAYLESS: No, it will not go into the
5 northeast.

6 MR. CARROLL: I meant the northeast part of
7 Aztec.

8 MR. BAYLESS: Well, and that's what I mean. I
9 have a small-scale topo which might be of some benefit to
10 you if you'd like to look at it.

11 MR. CARROLL: Yeah, we would like to look at it,
12 please.

13 MR. BAYLESS: And bear in mind it's whenever the
14 last topo was, probably 20 years ago.

15 This is the Hazel Bolack section, there is the
16 Hazel Bolack that we're going to re-enter. This is the
17 east half of the southwest, which is pretty barren. This
18 is the west half, which -- and it's more heavily developed
19 than that today.

20 MR. CARROLL: It looks like a mesa or something
21 here that they started to build on? What's this? It's
22 higher ground to the east of the city?

23 MR. BAYLESS: It -- well, it --

24 MR. CARROLL: Or lower?

25 MR. BAYLESS: Well, it's high. It's rough land.

1 MR. CARROLL: Okay, thank you.

2 Q. (By Examiner Catanach) Mr. Bayless, do you have
3 anything else to add to your testimony?

4 A. I've made a fairly intensive effort to find the
5 proceedings in this case that I've referred to in 1979. I
6 can't locate it in the NMOCD files, nor C&E's files, nor
7 Meridian's files, nor the attorneys that handled the case
8 for them at that time, simply because of the years that
9 have gone by.

10 So I don't have the backup or the support to this
11 order that I would like to have had.

12 Q. Did you -- did your search include microfiche
13 records in this office? We have quite a number of cases
14 that were microfilmed, and we do --

15 A. I did not talk to your office personally. I was
16 led to believe by my people that they had contacted your
17 office and that file was simply missing.

18 EXAMINER CATANACH: Okay. We'll take a look and
19 see if we can find it.

20 MR. BAYLESS: Sure.

21 EXAMINER CATANACH: Okay, there being nothing
22 further in this case, Case 11,571 will be taken under
23 advisement.

24 MR. BAYLESS: Thank you.

25 EXAMINER CATANACH: Thank you, Mr. Bayless.

1 MR. BAYLESS: Do you need to keep that order?

2 MR. CARROLL: Oh, no.

3 MR. BAYLESS: If you don't, I would like to have
4 a copy in my file.

5 EXAMINER CATANACH: Sure.

6 MR. BAYLESS: Thank you.

7 MR. CARROLL: Thank you.

8 MR. BAYLESS: Appreciate it.

9 (Thereupon, these proceedings were concluded at
10 8:40 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11571,
heard by me on July 25 1986.
David R. Catanach, Examiner
OH Conservation Division

CERTIFICATE OF REPORTER

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

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 July 25th, 1996.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998