

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 BP AMERICA PRODUCTION)	CASE NOS. 12,996
COMPANY FOR COMPULSORY POOLING, SAN JUAN)	
COUNTY, NEW MEXICO)	
)	
APPLICATION OF BP AMERICA PRODUCTION)	and 12,997
COMPANY FOR COMPULSORY POOLING, SAN JUAN)	
COUNTY, NEW MEXICO)	
)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID K. BROOKS, JR., Hearing Examiner

January 23rd, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, JR., Hearing Examiner, on Thursday, January 23rd, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, 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 23rd, 2003
 Examiner Hearing
 CASE NOS. 12,996 and 12,997 (Consolidated)

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504
369 Montezuma, No. 213
Santa Fe, New Mexico 87501

* * *

ALSO PRESENT:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

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

1 WHEREUPON, the following proceedings were had at
2 9:44 a.m.:

3
4
5
6
7 EXAMINER BROOKS: At this time we'll call case
8 Number 12,996, Application of BP America Production Company
9 for compulsory pooling, San Juan County, New Mexico.

10 Call also Case Number 12,997, Application of BP
11 America Production Company for compulsory pooling, San Juan
12 County, New Mexico.

13 Call for appearances.

14 MR. BRUCE: Mr. Examiner, James Bruce of Santa
15 Fe, representing the Applicant. I have one witness to be
16 sworn.

17 EXAMINER BROOKS: Do I understand -- and I don't
18 know if we got this on the record -- you move for
19 consolidation of Case Numbers 12,996 and 12,997?

20 MR. BRUCE: Yes, sir.

21 EXAMINER BROOKS: Very good. Cases Numbers
22 12,996 and 12,997 will be consolidated for purposes of
23 hearing.

24 And the witness may be sworn.

25 (Thereupon, the witness was sworn.)

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

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name for the record?

7 A. Brett Woody.

8 Q. Where do you reside?

9 A. I reside in Houston, Texas.

10 Q. Who do you work for and in what capacity?

11 A. I work for BP America Production Company as a
12 landman.

13 Q. Have you previously testified before the
14 Division?

15 A. No, I have not.

16 Q. Would you please summarize your educational and
17 employment background for the Examiner?

18 A. I graduated from the University of Texas in 1983
19 with a PLM degree -- that's a business degree -- and I have
20 worked 20 years in the oil and gas business, 14 years as a
21 landman, broken out between Cabot Oil and Gas and BP. I've
22 worked areas from the Appalachians to the Rockies, and I
23 currently have worked a little over a year in this area.

24 Q. And are you familiar with the land matters
25 involved in these two cases?

1 A. Yes, I am.

2 MR. BRUCE: Mr. Examiner, I tender Mr. Woody as
3 an expert petroleum landman.

4 EXAMINER BROOKS: His credentials are accepted.

5 Q. (By Mr. Bruce) Mr. Woody, what does -- Referring
6 to your Exhibit 1, perhaps, what does BP seek in these two
7 cases?

8 A. We seek to pool the southwest quarter of Section
9 24 and the southeast quarter of Section 24, 29 North, 12
10 West.

11 Q. And what depths are we seeking?

12 A. We're looking for depths from the base of the
13 Pictured Cliffs formation to the top of the Dakota.

14 MR. BRUCE: Okay. Mr. Examiner, one item. In
15 the first case, 12,996, which involves the southwest
16 quarter, in the Application we had asked to pool 40-acre
17 units but we're withdrawing that at this time.

18 EXAMINER BROOKS: That's in 12,996?

19 MR. BRUCE: Yes, sir.

20 EXAMINER BROOKS: Okay.

21 Q. (By Mr. Bruce) Now, Mr. Woody, once again
22 referring to your Exhibit 1, again, what wells will be
23 dedicated to the unit?

24 A. The Crawford Gas Com B 1 will be dedicated to the
25 southwest quarter of the section, and the Crawford Gas Com

1 B 1E will be dedicated to the southeast quarter of the
2 section.

3 Q. Are those producing wells?

4 A. Yes, they're producing from the Dakota formation.

5 Q. And so BP plans on adding a -- What do they plan
6 on recompleting in at this time?

7 A. Our current plans are to recomplete in the Chacra
8 formation and downhole commingle those two zones.

9 Q. Okay. In looking at Exhibit 1, we're here today
10 concerning the interest owners of two leases; is that
11 correct?

12 A. Yes. Yes, we are.

13 Q. Now, in Exhibit 1 there's the lease marked red.
14 They're both part of a single federal lease, are they not?

15 A. Yes, they are, Federal Lease NM-013885. And the
16 blue lease represents a fee lease held by Burrell H.
17 Crawford.

18 Q. Okay, he's the lessor of that lease?

19 A. Yes, he is.

20 Q. But even though they're split up, it is the same
21 lease?

22 A. Right.

23 Q. Okay. What are Exhibits 2A and 2B?

24 A. 2A and 2B are the sundry notices that we have
25 filed with the State for these two operations. It notes

1 the plan to develop and downhole commingle, and both have
2 been approved by the State for this operation.

3 Q. Okay. The work has not commenced yet on these
4 wells, has it?

5 A. No, it has not, no.

6 Q. Now, this is going to be kind of an unusual case.
7 Who does BP seek to pool?

8 A. Referring back to Exhibit Number 1, these two
9 leases are held by a company called Pioneer Corporation.
10 Pioneer corporation dissolved in 1986. It no longer
11 exists. And so we theorize that the shareholders of
12 Pioneer Corporation would hold the ownership in these
13 leases.

14 Q. Now, in general, who are the successors to leases
15 in San Juan County once owned by Pioneer Corporation?

16 A. Pioneer Natural Resources, USA, Inc., who is
17 corporate -- excuse me, who is a successor-in-interest to
18 Mesa Petroleum, also Conoco.

19 Q. Okay, so -- Well, let's get into this in a little
20 more detail.

21 A. Okay.

22 Q. Now, Pioneer Corporation dissolved in 1986?

23 A. Right.

24 Q. Now, before its dissolution did it assign a
25 number of leases in San Juan County?

1 A. Yes, it did. The way this -- if things had gone
2 smoothly with this -- The ownership was held by Pioneer
3 Corporation, who sold out their interest to Mesa. Later
4 Mesa sold out their interest in this area to Conoco, but --

5 Q. But with respect to these leases --

6 A. Uh-huh.

7 Q. -- there's no assignment of record --

8 A. Right.

9 Q. -- from Pioneer Corporation --

10 A. Right.

11 Q. -- to Mesa?

12 A. Right, right. And --

13 Q. And likewise, there's no assignment of record
14 from Mesa's successor, which is Pioneer, USA, to Conoco; is
15 that correct?

16 A. Right, that is true.

17 Q. Now, we'll get into this in a little more detail,
18 but have you been in touch with both Pioneer USA, the
19 successor to Mesa, and with Conoco?

20 A. Yes, I have, and neither claims an interest in
21 these leases.

22 Q. I mean, you've offered it to them and they've
23 just said, we don't own it?

24 A. Yes, I approached Conoco who said Pioneer owns
25 it, and I approached Pioneer who says Conoco owns it.

1 Q. So in order to be safe, at this time do you seek
2 to pool Pioneer Corporation, Pioneer USA and Conoco?

3 A. Yes.

4 Q. Okay. Let's refer to your Exhibit 3 and --

5 A. Okay.

6 Q. -- discuss your contacts with these people. Now
7 before we do, you had -- and we can submit this if
8 necessary -- last summer did you not have some -- or last
9 year you had some land work done on this prospect?

10 A. Yes, we did, and following the events that I
11 described, it was believed that Conoco would have owned
12 this lease. In September I sent them a letter, and --

13 Q. That's at the very end of this exhibit?

14 A. Yeah, I'm sorry. Yeah, if you'll page back
15 through Exhibit 3 you'll find a letter dated September
16 18th. That's where I proposed these two wells, the
17 operation to Conoco, and Conoco told me that they did not
18 get an assignment of the south half of the section. They
19 did get an assignment in the north half but not in the
20 south half.

21 Q. From Pioneer USA?

22 A. Right.

23 Q. Or from Mesa Petroleum?

24 A. Right. And so that resulted in me contacting
25 Pioneer to find out what happened, and they assured me that

1 the assignment did take place.

2 And so I hired -- I had to hire another field
3 broker to really get down into the problem, and we
4 discovered in 1986 that this was never assigned, even
5 though it should have been.

6 Q. Okay. So to the best that BP can tell, it's
7 still owned by the dissolved corporation, Pioneer
8 Corporation, or its shareholders?

9 A. Right.

10 Q. Okay. So --

11 A. Let me also --

12 Q. Go ahead.

13 A. Okay. And so I felt like maybe Pioneer Natural
14 Resources could shed some light on the problem, and I dealt
15 with them extensively and got no results. I dealt with
16 Carolyn Benson, their legal representative in this area,
17 who I thought might have some information on the area, and
18 she said she would not -- she was just firm, she was nice
19 but she said she was not going to look into this.

20 But she did refer me to a lady named Kerrie
21 Stewart in Midland, who's the land administrator, who said,
22 well, she would look into it, but she said there's 400
23 boxes related to this item, and we can't -- you can't
24 expect much from us on this.

25 So as a last-ditch effort I sent them -- I sent

1 Pioneer the letter dated December 19th, asking them to try
2 to resolve this matter, and I also included a cc to Conoco,
3 to a Tom Scarbrough, and I left messages with Tom about
4 this, and I never got a phone call back and have not heard
5 anything from either party.

6 Q. Okay, so despite your contacts, neither Pioneer
7 USA nor Conoco has claimed an interest?

8 A. Right.

9 Q. And they have not responded to your well proposal
10 dated December 19th?

11 A. Right.

12 Q. In your opinion, has BP made a good-faith effort
13 to obtain the voluntary joinder of whoever owns the
14 interest in these leases?

15 A. Yes, we have.

16 Q. Now, this pooling seeks to pool to the top of the
17 Dakota. Why doesn't BP seek to pool the Dakota?

18 A. Well, the Dakota is already producing, and we
19 have an operating agreement dated around 1960 that controls
20 operations of that.

21 The other party in these two wells is Burlington.
22 We are in agreement on replacing that operating agreement
23 with a new operating agreement which will cover the
24 shallower zones, as well as the Dakota.

25 Q. Okay. But really the Pioneer interest -- or does

1 Pioneer own an interest in the Dakota?

2 A. No, they do not. No, we own the Dakota rights in
3 these leases, but not the rights from the base of the
4 Pictured Cliff to the top of the Dakota.

5 Q. Okay. Would you please identify your Exhibits 4A
6 and 4B and discuss the cost of the proposed recompletions?

7 A. Yes, 4A represents the cost of the operation for
8 the Crawford Gas Com B 1. It's \$147,000.

9 And the B 1E is represented by 4B, and it's
10 \$136,000.

11 Q. Are these costs in line with the costs of other
12 wells recompleted at this depth in this area?

13 A. Yes, yes, they are.

14 Q. Does BP request that it be designated operator of
15 the wells?

16 A. Yes, we do.

17 Q. Do you have a recommendation for the amounts
18 which BP should be paid for supervision and administrative
19 expenses?

20 A. Yes, \$4795 for a drilling rate and \$667 per month
21 for a producing rate.

22 Q. And are these amounts equivalent to those
23 normally charged by BP and other operators in this area for
24 wells of this depth?

25 A. Yes, they are.

1 Q. Do you request that these costs be adjusted under
2 the COPAS accounting procedure?

3 A. Yes, we request that.

4 Q. And were Pioneer USA and Conoco notified of this
5 hearing?

6 A. Yes, they were.

7 Q. And is Exhibit 5 my affidavit of notice?

8 A. Yes, it is.

9 Q. And again, to reiterate, they didn't respond to
10 this letter either?

11 A. They didn't respond to this either, no.

12 Q. Was notice given to the shareholders of the old
13 Pioneer Corporation?

14 A. Yes, it was, and that's represented by Exhibits
15 6A and 6B. These notices were filed with the *Daily Times*
16 in Farmington.

17 Q. Okay. Now, Mr. Woody, I'm going to have you
18 discuss to a certain extent the risk factor, which I think
19 you're aware is usually done by a geologist?

20 A. Yes, I am.

21 Q. Now, in this area has BP done a geologic study of
22 the area in the Chacra?

23 A. No, we have no structure maps to present. The
24 Chacra is very isolated. It's very hard to come up with on
25 logs, and so as a result we really -- we've just seen it in

1 a few wells here and we do not have a major study on the
2 area for the Chacra formation.

3 Q. And really when you're looking at it, the two
4 prospective zones that might be pooled in this area are the
5 Chacra and the Mesaverde, perhaps?

6 A. That would be correct.

7 Q. But there are no Mesaverde wells within a number
8 of miles of your --

9 A. That's right.

10 Q. Okay, so you're primarily looking at the Chacra.
11 Now, what is Exhibit 7?

12 A. Exhibit 7 and 8 should be viewed together.
13 Exhibit 7 is an area plat that shows the various Pictured
14 Cliff, Fruitland Coal and Dakota wells that are common in
15 this area. It also notes a few Chacra wells that we've
16 completed. As a point of reference I've noted the outline
17 of the Gallegos Canyon Unit in Green there.

18 If you'll look at Exhibit Number 8, you'll see
19 the representative Chacra wells that are in this area. We
20 drilled our first well -- Excuse me, we made our first
21 recompletion attempt in the Chacra in the GCU Com B 143 in
22 the southeast [sic] quarter of Section 25 in December of
23 2001, and then did the rest in Section 25 and 26 in 2002.

24 We had a failure in Section 26, the zone was wet.

25 And also in Section 13 and 30 I want to note that

1 there is Chacra production. These wells are operated by
2 Conoco.

3 The well in Section 13 was a failure
4 economically. It's only produced a tenth of a BCF in close
5 to 20 years. And the well in Section 30 was recompleted.
6 I didn't -- I failed to note on there, it was recompleted
7 in -- let's see -- it was recompleted in February of 1982,
8 and it's actually a pretty good well, pretty good
9 recompletion.

10 Q. Okay. But again, there are no -- BP doesn't have
11 any geologic maps of the Chacra in this area?

12 A. Right, there's no general study that we've done
13 of this area.

14 Q. And as you said, some of these wells are new, so
15 they're kind of difficult to tell whether or not they will
16 be successful, although a couple of them appear to be
17 producing at decent rates?

18 A. Yes, the production we've seen out here is --
19 well, it's failed in one well, but it's been from 75 to 160
20 a day, is what we've been coming up with.

21 And I don't anticipate we'll be doing a study,
22 because like I said, the well logs are inconclusive as to
23 the Chacra in many locations, so --

24 Q. Would BP drill a well solely to test the Chacra?

25 A. No, we would not, no.

1 Q. Now, based on the results here, it's still a
2 marginal zone, is it not?

3 A. Yes.

4 Q. And you would request a risk penalty be assessed
5 against the nonconsenting interest owners?

6 A. Yes, I would.

7 I'd also like to say that these interests that
8 we're having to force pool represent a large percentage,
9 roughly 33 percent, of the two units, and there's no one to
10 claim this and it will represent an administrative burden
11 after payout for us to have to monitor the production and
12 suspense.

13 Q. Were Exhibits 1 through 8 prepared by you or
14 under your supervision or compiled from company business
15 records?

16 A. Yes, they were.

17 Q. And in your opinion are the granting of BP's
18 Applications in the interests of conservation and the
19 prevention of waste?

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I'd move the admission
22 of BP Exhibits 1 through 8.

23 EXAMINER BROOKS: BP Exhibits 1 through 8 will be
24 admitted.

25 MR. BRUCE: And I have nothing further of the

1 witness at this time.

2 EXAMINATION

3 BY EXAMINER BROOKS:

4 Q. You indicated that the intention was to downhole
5 commingle the Chacra and the Dakota --

6 A. Yes, sir.

7 Q. -- right?

8 A. Yes, sir.

9 Q. If I understood you correctly, you said that that
10 had been approved. Was that a correct understanding?

11 A. Well, the sundry notices to do that have been
12 approved.

13 MR. BRUCE: I think that's just for the work, Mr.
14 Examiner --

15 THE WITNESS: Oh.

16 MR. BRUCE: -- not the downhole commingling
17 itself.

18 THE WITNESS: Oh, oh, yeah, yeah. Okay, I'm
19 sorry, I misunderstood.

20 Q. (By Examiner Brooks) Okay. So you intend to
21 make the downhole commingling the subject of a separate
22 application?

23 A. Yes, it would be.

24 EXAMINER BROOKS: Okay, very good. I don't have
25 any further questions.

1 Mr. Stogner?

2 EXAMINATION

3 BY EXAMINER STOGNER:

4 Q. Just for a point of clarification, I know this is
5 -- in Case 12,996, now, you have brought the 40-acre
6 spacing, and that was advertised as a recompletion of a
7 well in an orthodox gas well location but an unorthodox oil
8 well location, so that takes care of that.

9 But the well location in 12,997, the recompletion
10 of an unorthodox gas well location, was that a mistaken --

11 MR. BRUCE: Mr. Examiner, it is -- its footage is
12 1520 feet from the south and east lines, so it is orthodox
13 as to gas. The advertisement does say unorthodox gas well
14 location. That is a typo.

15 EXAMINER STOGNER: Okay, I just wanted some
16 clarification on that. I have no other questions.

17 EXAMINER BROOKS: Very good. If there's nothing
18 further, Cases Numbers 12,996 and 12,997 will be taken
19 under advisement.

20 (Thereupon, these proceedings were concluded at
21 10:03 a.m.)

22 I hereby certify that the foregoing is
* * * a complete record of the proceedings in
the examiner hearing of Case No. 12996/12997
by me on Jan 23 2003
David K. Brooks Examiner
Oil Conservation Division

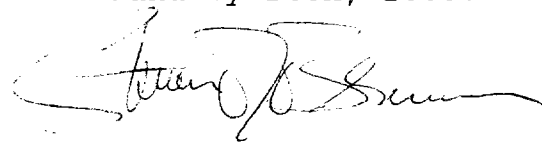
CERTIFICATE OF REPORTER

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 January 24th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006

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