

NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10551

IN THE MATTER OF:

The Application of Basin Minerals,
Ltd., for Surface Commingling,
San Juan County, New Mexico

BEFORE:

DAVID R. CATANACH
Hearing Examiner
State Land Office Building
September 17, 1992

REPORTED BY:

CARLA DIANE RODRIGUEZ
Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.C.
Post Office Box 2208

Santa Fe, New Mexico 87504-2208

BY: **WILLIAM F. CARR, ESQ.**

I N D E X

Page Number

Appearances

2

WITNESSES FOR THE APPLICANT:

1. PAUL C. THOMPSON

Examination by Mr. Carr

4

Examination by Mr. Catanach

11

Certificate of Reporter

15

E X H I B I T S

Reference

Exhibit No. 1

7

Exhibit No. 2

8

Exhibit No. 3

8

Exhibit No. 4

9

Exhibit No. 5

10

Exhibit No. 6

10

1 EXAMINER CATANACH: At this time we'll
2 call Case 10551, the application of Basin
3 Minerals, Ltd., for surface commingling, San Juan
4 County, New Mexico.

5 Are there appearances in this case?

6 MR. CARR: May it please the Examiner,
7 my name is William F. Carr with the Santa Fe law
8 firm Campbell, Carr, Berge and Sheridan. We
9 represent Basin Minerals in this matter, and I
10 have one witness.

11 EXAMINER CATANACH: Any other
12 appearances?

13 Will the witness please stand to be
14 sworn in.

15 **PAUL C. THOMPSON**

16 Having been first duly sworn upon his oath, was
17 examined and testified as follows:

18 EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your name for the
21 record, please.

22 A. Paul C. Thompson.

23 Q. Where do you reside?

24 A. In Farmington, New Mexico.

25 Q. By whom are you employed and in what

1 capacity?

2 A. I'm president of Walsh Engineering and
3 Production Corporation.

4 Q. Would you review your educational
5 background and work experience for Mr. Catanach?

6 A. Yes. I have a B.S. degree in chemical
7 engineering from New Mexico State University.
8 Prior to buying Walsh Engineering, I have had 16
9 years' experience in the industry with Northwest
10 Pipeline and Phillips Petroleum.

11 Q. Are you a registered petroleum
12 engineer?

13 A. Yes, I'm a registered professional
14 engineer in New Mexico.

15 Q. Are you familiar with the application
16 in this case?

17 A. Yes.

18 Q. What is your relationship with Basin
19 Minerals?

20 A. Walsh Engineering is the agent for
21 Basin Minerals.

22 Q. Do you, in fact, operate the wells that
23 are the subject of this hearing?

24 A. Yes.

25 Q. Are you familiar with the subject area?

1 A. Yes.

2 MR. CARR: Are the witness'
3 qualifications acceptable?

4 EXAMINER CATANACH: They are.

5 Q. Briefly state what Basin Minerals seeks
6 with this application.

7 A. Basin Minerals seeks approval to
8 commingle the gas production from the Dual
9 Atlantic ALS No. 6 Blanco Mesaverde and Blanco
10 Pictured Cliffs Pool. As a separate but similar
11 issue, we seek approval to surface commingle gas
12 production from the Atlantic ALS No. 6, the
13 Blanco Mesaverde, and the Atlantic ALS No. 13, a
14 Blanco Pictured Cliffs well.

15 Q. Would you just briefly review the
16 events which have resulted in this matter coming
17 here for hearing today?

18 A. Yes. After reviewing production from
19 the wells, I recommended that a compressor be
20 installed on the Mesaverde portion of the
21 Atlantic 6A. I had a pretty good response.
22 Also, we moved the compressor then the next month
23 to the Pictured Cliffs side of this well and had
24 an equally good response.

25 I discussed the possibility of using

1 the existing measurement equipment, and a single
2 compressor, to draw down both zones at the same
3 time with Mr. Frank Chavez. He advised me that
4 because the working interests were slightly
5 different between the Mesaverde and the Pictured
6 Cliffs Pool, he recommended that we have a
7 hearing.

8 Q. Have you prepared exhibits for
9 presentation here today?

10 A. Yes, I have.

11 Q. Would you refer to what has been marked
12 as Basin Minerals Exhibit No. 1, identify this
13 exhibit and review it for Mr. Catanach?

14 A. Exhibit No. 1 shows the location of the
15 wells in question in Section 26 of Township 31
16 North, Range 10 West, as well as the offsetting
17 wells and operators.

18 Q. What is the status of the land at the
19 site of the wells that are the subject of this
20 hearing?

21 A. Basin Minerals owns the minerals in fee
22 and it's BLM surface land.

23 Q. Has Basin Minerals previously received
24 approval to surface commingle production from any
25 other wells in the area?

1 A. No.

2 Q. What we're talking about here is
3 commingling at the surface gas and gas from
4 Blanco Mesaverde and from the the Blanco Pictured
5 Cliffs Pool, is that right?

6 A. Yes.

7 Q. Let's go to Exhibit No. 2, and if you
8 would use that, I would ask you to review the
9 ownership in these wells for Mr. Catanach.

10 A. Exhibit 2 lists the working interest
11 owner percentages of the wells in question, also
12 gives the pool name and dedicated acreage.

13 As you can see with the 6A, Pictured
14 Cliffs Mesaverde dual well, the parties are the
15 same but have slightly different working
16 interests.

17 In the No. 6 and No. 13 wells, the only
18 difference there is that Arco's interest in the
19 Pictured Cliffs is replaced by Jackal Oil.

20 Q. Let's go to Exhibit No. 3. Would you
21 identify that and review it?

22 A. Exhibit No. 3 is a schematic of the
23 proposed facilities. Actually, this is a
24 schematic for the dual well, but the individual
25 Wells 6 and 13 would be almost the same except

1 for the well heads are only a couple of hundred
2 feet apart.

3 The facilities are actually already in
4 place as shown, with the exception of the line
5 from the downstream Pictured Cliffs meter to the
6 suction side of the compressor.

7 Q. Would it be possible to meter the
8 production from each of these zones so you can
9 accurately account back to the owners of the gas
10 wells?

11 A. Yes. What we propose to do is measure
12 the gas from the Pictured Cliffs well
13 individually, and then measure the composite
14 volume together. The Mesaverde, then, would be
15 the difference between the two.

16 Q. We're talking about just a gas-gas
17 commingling here? There are no liquids being
18 commingled?

19 A. Correct.

20 Q. So there's no problem with any kind of
21 compatibility?

22 A. That's correct.

23 Q. What volumes are being produced from
24 each of these formations?

25 A. Exhibit 4 lists some of the production

1 from the first of the year. I would anticipate,
2 though, that the Mesaverde wells will decline to
3 the 4- to 500 Mcf a day range, and based on our
4 1-month test on the 6A PC, I'm hoping that the
5 Pictured Cliffs will stabilize in the 100 to 200
6 Mcf a day range.

7 Q. Is Exhibit No. 5 an affidavit
8 confirming that notice of this hearing has been
9 provided in accordance with OCD rules and
10 regulations?

11 A. Yes.

12 Q. How are you disposing of the production
13 at this time?

14 A. All the gas is being marketed on the
15 spot market.

16 Q. Could you identify what has been marked
17 as Exhibit No. 6?

18 A. Exhibit No. 6 is a letter I received
19 from El Paso, where they're agreeing to our
20 measurement scheme.

21 Q. In your opinion, will approval of this
22 application result in the increased recovery of
23 hydrocarbons from these wells?

24 A. Yes. Granting this application will
25 allow the Pictured Cliff wells to produce. They

1 currently cannot produce against the existing
2 line pressure, and the expected rates do not
3 justify an individual compressor installation.

4 Q. In your opinion, will approval of this
5 application be in the best interest of
6 conservation, the prevention of waste and the
7 protection of correlative rights?

8 A. Yes.

9 Q. Were Exhibits 1 through 6 prepared by
10 you or compiled under your direction?

11 A. Yes.

12 MR. CARR: At this time we would move
13 the admission of Basin Minerals' Exhibits 1
14 through 6.

15 EXAMINER CATANACH: Exhibits 1 through
16 6 will be admitted as evidence.

17 MR. CARR: That concludes my direct
18 examination of Mr. Thompson.

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Let me make sure I understand this, Mr.
22 Thompson. You seek to commingle Mesaverde and
23 Pictured Cliffs production from the No. 6A well?

24 A. Yes.

25 Q. And separate from that you propose to

1 commingle Mesaverde and Pictured Cliffs from Well
2 No. 6 and Well No. 13?

3 A. Yes. So there will be two separate
4 facilities there, two compressors.

5 Q. Okay. The Pictures Cliffs production
6 will be metered separately and then the total gas
7 stream will also be metered, the total sales
8 volume, right?

9 A. Right.

10 Q. What type of meter do you have on the
11 PC side?

12 A. A Barton drag flow meter. The PC
13 actually on the 6A had been disconnected
14 temporarily, so we had to get El Paso to install
15 a new meter on the well. The taps were still
16 there and everything, but they installed a
17 brand-new new Barton flow meter there.

18 Q. Okay. Is there any liquid production
19 associated with these two gas zones?

20 A. The Mesaverdes make quite a bit of
21 condensate, but in our one-month test on the
22 Pictured Cliff in May it didn't make any
23 liquids. We don't anticipate the PCs making any
24 fluids.

25 Q. There will be no commingling of fluids

1 or liquids?

2 A. No.

3 Q. Did you mention that the compressors
4 were already installed on the wells?

5 A. The compressors are already installed,
6 but only the Mesaverde is being compressed at
7 this time.

8 Q. So you've got a substantial production
9 increase as a result of compression?

10 A. Yes. You can see that on Exhibit 4,
11 the production history of the well starting in
12 January of this year. We put the compressor on
13 the 6A Mesaverde in April and then took it off
14 and switched it to the PC side in May. And then
15 we reinstalled it on the Mesaverde side in June.
16 You can see the production is pretty stable. We
17 installed a compressor on the No. 6 Mesaverde in
18 May.

19 Q. And this is federal surface and fee
20 minerals, is that right?

21 A. Yes.

22 Q. Have any of your working interest
23 owners expressed any concern about this
24 operation?

25 A. No. I've been contacted by all except

1 for Conoco, and they all voiced their support.

2 Q. Now, are these listed on Exhibit 2, are
3 these all the interest owners in the subject
4 wells?

5 A. Yes.

6 EXAMINER CATANACH: I believe that's
7 all I have.

8 MR. CARR: Nothing further, Mr.
9 Catanach.

10 EXAMINER CATANACH: The witness may be
11 excused. There being nothing further in this
12 case, Case 10551 will be taken under advisement.

13 (And the proceedings concluded.)
14
15
16
17

18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 10551,
21 heard by me on September 17 1992.
22 David R. Catanach, Examiner
23 Oil Conservation Division
24
25

CERTIFICATE OF REPORTER

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

I, Carla Diane Rodriguez, Certified
Shorthand Reporter and Notary Public, HEREBY
CERTIFY that the foregoing transcript of
proceedings before the Oil Conservation Division
was reported by me; that I caused my notes to be
transcribed under my personal supervision; 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 September 30,
1992.


CARLA DIANE RODRIGUEZ, RPR
CSR No. 4