

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 7 December 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Blackwood & Nichols Co., Ltd. for an unorthodox gas well CASE
10 location and a non-standard gas pro- 9554
11 ration unit, Rio Arriba County, New
12 Mexico.

13 BEFORE: David R. Catanach, Examiner
14
15

16 TRANSCRIPT OF HEARING
17

18 A P P E A R A N C E S
19

20 For the Division: Robert G. Stovall
21 Attorney at Law
22 Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

23 For Blackwood & Nichols William F. Carr
24 Co., Ltd.: Attorney at Law
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25 P. O. Box 2208
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I N D E X

WILLIAM F. CLARK

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1 MR. CATANACH: Call next Case
2 Number 9554.

3 MR. STOVALL: Application of
4 Blackwood & Nichols Company, Ltd., for an unorthodox gas
5 well location and nonstandard gas proration unit, Rio
6 Arriba County, New Mexico.

7 MR. CATANACH: Are there ap-
8 pearances in this case?

9 MR. CARR: May it please the
10 Examiner, my name is William F. Carr with the law firm
11 Campbell & Black, P. A., of Santa Fe. We represent Black-
12 wood and Nichols Company, Limited. I have one witness.

13 MR. CATANACH: Any other ap-
14 pearances?

15 Will the witness please stand
16 and be sworn in?

17
18 (Witness sworn.)

19
20 WILLIAM F. CLARK,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23
24 DIRECT EXAMINATION

25 BY MR. CARR:

1 Q Will you please state your name and
2 place of residence?

3 A William F. Clark, Durango, Colorado.

4 Q Mr. Clark, by whom are you employed and
5 in what capacity?

6 A Blackwood & Nichols Company, Limited, as
7 the Operations Manager.

8 Q Have you previously testified before
9 this Division and had your credentials as a petroleum
10 engineer accepted and made a matter of record?

11 A Yes, I have.

12 Q Are you familiar with the application
13 filed in this case?

14 A Yes, I am.

15 Q Are you familiar with the subject area
16 and in particular the Northeast Blanco Unit Well No. 433?

17 A Yes, I am.

18 MR. CARR: Are the witness'
19 qualifications acceptable?

20 MR. CATANACH: They are.

21 Q Mr. Clark, will you briefly state what
22 Blackwood and Nichols seeks with this application?

23 A Blackwood and Nichols requests approval
24 for an unorthodox location and a nonstandard proration unit
25 for a Basin Fruitland Coal Well, the Northeast Blanco Unit

1 No. 433, which is located 680 feet from the north line, 850
2 feet from the west line, Section 19, Township 30 North,
3 Range 7 West, Rio Arriba County, New Mexico.

4 Q Now, is that location 680 feet from the
5 north line or from the south line?

6 A I believe I erred, it is from the south
7 line. Thank you, Mr. Carr.

8 Q And what acreage do you propose to dedi-
9 cate to this well?

10 A Blackwood and Nichols proposes that a
11 nonstandard acreage dedication of 307.44 acres be dedicat-
12 ed. We'd like to point out that this is the same as which
13 has been dedicated to the Mesaverde Gas Proration Unit in
14 this section.

15 Q So there's already an existing proration
16 unit in the Mesaverde for the identical acreage.

17 A That's correct and my statement of in
18 this section is not right because due to irregular shape,
19 we're taking the west half of Section 19 and the southwest
20 corner of Section 18.

21 Q And what pool is this well going to be
22 completed in?

23 A The No. 433 will be a Basin Fruitland
24 Coal Pool.

25 Q Are there special pool rules in effect

1 for this pool?

2 A Yes. Those were recently issued by the
3 Division under Order R-8768.

4 Q In these special pool rules, what are
5 the well location requirements?

6 A Well location requirements are addressed
7 as Rule 4, Rule 5 and Rule 6 of these special pool rules.

8 Rule 4 calls for a standard unit size of
9 320 acres.

10 Rule 5 allows a deviation of plus or
11 minus 25 percent from the standard 320 acres to be able to
12 granted administratively.

13 Rule 6 addresses irregular shapes due
14 to public land surveys. This is the case in the No. 433
15 Well; specifically Rule 6-A. We have contiguous quarter
16 quarter sections and lots.

17 Q And you also are within the tolerance
18 provided for by Rule 5?

19 A That is correct.

20 Q What are the actual well location re-
21 quirements as set forth in these rules, the footage re-
22 quirements?

23 A Rule 7 of the Basin Fruitland Coal Pool
24 rules directs that all wells be no closer than 790 feet to
25 any outer boundary.

1 The proposed No. 433 Well is located 680
2 feet from the south line of Section 19 for a variety of
3 reasons.

4 The first is we have rough terrain.
5 There is an existing Mesaverde well and a pipeline and a
6 road right-of-way, and additionally there is a tunnel,
7 which carries irrigation water from Navajo Lake to the
8 Navajo Irrigation Industries Project.

9 Q This unorthodox location was originally
10 proposed and you sought administrative approval for it at
11 that time, is that not correct?

12 A That is correct. By letter dated
13 October 22nd, 1988, to Mr. William Lemay, Blackwood &
14 Nichols requested that this be administratively approved.

15 Q And what action did the Commission take
16 on that request for administrative approval?

17 A We subsequent to that had conversations
18 with the Aztec District Office and they indicated there was
19 no problem in granting administrative approval; however, we
20 needed to wait for the offsetting operator, specifically
21 Meridian Oil Company, to waive objections.

22 Q And did you obtain a waiver at that time
23 from Meridian?

24 A That is unfortunately not true. They
25 entered an objection to this location.

1 Q Have you since been able to obtain a
2 waiver from Meridian?

3 A That is correct. In conversations held
4 late last week and finally finalized yesterday, they -- we
5 have an exhibit which they waive their objection to our
6 proposed location.

7 Q Have you prepared certain exhibits for
8 introduction in this case?

9 A Yes, we have.

10 Q Are they contained behind a letter to
11 Mr. Catanach dated December 6, 1988?

12 A That's correct. The purpose of this
13 letter was in anticipation that since Meridian had with-
14 drawn their objection, that perhaps a hearing could be
15 avoided and this letter was prepared in that manner; how-
16 ever, the exhibits are applicable for this hearing.

17 Q Would you refer to what has been marked
18 as Exhibit One, the first attachment to that letter, and
19 identify that, please?

20 A Exhibit Number One is a letter from
21 Meridian Oil Company dated December 6, 1988. I picked this
22 up yesterday afternoon. It's in reference to this case, to
23 the Northeast Blanco Unit Well No. 433, a nonstandard and
24 an unorthodox location in which they say that they have --
25 that they do not object to the referenced application.

1 Q Would you now go to Exhibit Two, the
2 second attachment?

3 A Exhibit Number Two is a Form C-102, the
4 acreage dedication for the No. 433 Well. It shows the ir-
5 regular shaped section and the location of the well being
6 680 feet from the south line.

7 Q In addition to the acreage depicted on
8 this plat you also will be dedicating the southwest quarter
9 of Section 18 immediately to the north, is that correct?

10 A That's correct. That is shown on Exhi-
11 bit Number Three.

12 Q All right, if you'd go to Exhibit Number
13 Three, and just review that quickly.

14 A Exhibit Number Three highlighted in
15 yellow are the acreages combining together to form the
16 307.44 acres for this nonstandard unit.

17 The case and the subsequent order number
18 there to the side, Case 1009, Order 75 -- R-753, was for
19 the Mesaverde Unit, excuse me, for the Mesaverde formation,
20 and this is a configuration that the Mesaverde was develop-
21 ed on and we are following suit for the Fruitland Coal.

22 Q Is the proposed well indicated on this
23 exhibit or is that the Mesaverde well?

24 A The dot in the southeast of the south-
25 west of Section 9 --

1 A 19.

2 Q -- 19, is the No. 34 Well, and on the
3 next -- on another exhibit you'll see that the 433 Well is
4 immediately adjacent to that.

5 Q Would you now go to what is marked
6 Exhibit Number Four, the next page, and review that for Mr.
7 Catanach?

8 A Exhibit Number Four is an area map. It
9 shows in the cross hatched area the boundary of the North-
10 east Blanco Unit. It shows the proposed location. Immed-
11 iately to the south is the San Juan 30-6 Unit, acreage
12 which is owned by El Paso and operated by Meridian.
13 Kitty-cornered to the Section 19 in Section 25 is the El
14 Paso Howell "L" Lease, which is also operated by Meridian
15 Oil Company.

16 Q So Meridian is the only offsetting oper-
17 ator?

18 A That is correct.

19 Q Would you now go to the next page of
20 this exhibit?

21 A The next page is Exhibit Five.

22 Q And what does this show?

23 A It's a vicinity map. It's a copy of the
24 topographical map used by the USGS. The main points of in-
25 terest here are the proposed locations. We see then the

1 433 being immediately south of the No. 34 existing well.
2 We see the rough terrain in the forms of the cliffs and the
3 benches. We see above the 34 Well an existing road with a
4 pipeline right-of-way. Additionally we see an irrigation
5 tunnel that starts off with a corner of the Navajo Dam and
6 heads down in a southwesterly direction, and these are the
7 rationale for us having a nonstandard location for this
8 particular well.

9 Q Mr. Clark, you also indicate on this the
10 Meridian Howell No. 301 Well, is that correct?

11 A That is correct.

12 Q What is the significance of this parti-
13 cular well?

14 A That is explained by Exhibit Number
15 Six-A.

16 Q That's the next page in this packet of
17 material, is that correct?

18 A In March, 1988, Blackwood and Nichols
19 waived objection to Meridian Oil Company's proposed Howell
20 "L" No. 301 Well, which is located 685 feet from the north
21 line and 1650 feet from the east line of Section 25,
22 Township 30 North, Range 8 West, San Juan County, New
23 Mexico.

24 That is the corner section, or kitty-
25 corner from our Section 19. We changed both the Range

1 from 7 to 8 and we changed counties from Rio Arriba to San
2 Juan. Their application was based on rough terrain and the
3 irrigation tunnel. This is illustrated on Exhibit Number
4 Six-B.

5 Q Okay, Six-A is your waiver letter and
6 Six-B is their C-102?

7 A That's correct, where they've also shown
8 the topography and their proposed location and the tunnel
9 being there and as stated previously, Blackwood and Nichols
10 waived this because it was the most reasonable location for
11 Meridian. When we proposed a most reasonable location,
12 Meridian first objected. After further discussions Meri-
13 dian withdrew their objection.

14 Q In your opinion is it possible to drill
15 the Fruitland well that you propose at a standard location?

16 A It is not possible to drill because of
17 the factors mentioned above.

18 Q And since Meridian is the only offset-
19 ting operator, have you complied with the notice require-
20 ments as required by Division rules and regulations?

21 A Yes, we have.

22 Q How soon does Blackwood and Nichols de-
23 sire to drill the subject well?

24 A Blackwood and Nichols would be extremely
25 appreciative if the Commission would handle this case expe-

1 ditiously. We have an approval from a working interest
2 owner of this well which has a contingency that the money
3 needs to be spent in December, and therefore we need to
4 have approval today or tomorrow, as quickly as possible, so
5 that we can build a location and get this well drilled by
6 the end of the month.

7 Q Mr. Clark, do you believe that granting
8 this application is in the best interest of conservation,
9 the prevention of waste, and the protection of correlative
10 rights?

11 A Yes, I do.

12 Q Were Exhibits One through Six-B prepared
13 by you?

14 They were.

15 MR. CARR: At this time, Mr.
16 Catanach, we would move the admission of Blackwood and
17 Nichols Exhibits One through Six-B.

18 MR. CATANACH: Exhibits One
19 through Six-B will be admitted as evidence.

20 MR. CARR: That concludes my
21 direct examination of Mr. Clark.

22
23 CROSS EXAMINATION

24 BY MR. CATANACH:

25 Q Mr. Clark, what is the location of the

1 existing Mesaverde well on this Section 19? Do you know?

2 A I don't have that on the tip of my ton-
3 gue.

4 Q Is that at a standard location?

5 A I would venture a guess that it appears
6 to be, on the scale of this map, probably close to 790 feet
7 from the south line, and so I think that that's probably a
8 reasonable assumption since this 433 is about 680 feet and
9 we generally have the width of the locations being 125
10 feet.

11 Q So it wouldn't be possible to drill any
12 further north than you propose.

13 A That's correct. I believe these loca-
14 tions will actually be kind of kissing and that we have
15 some shared acreage.

16 Also the concern of drilling a new
17 Fruitland Coal well that would potentially be hydraulically
18 fractured adjacent to an existing Mesaverde well that's 30
19 years old. We don't want to get real close next to it.
20 We'd like to stay preferably 2-to-300 feet, I think we've
21 compromised that here.

22 MR. CATANACH: No further
23 questions.

24 MR. CARR: I have nothing
25 further.

1 MR. CATANACH: The witness may
2 be excused.

3 There being nothing further in
4 this case it will be taken under advisement.

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6 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division (Commission) was reported by me;
that the said transcript is a full, true and correct record
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 755
heard by me on December 7 19PP.

David J. Catanzano, Examiner
Oil Conservation Division