

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 18 January 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Strata Production Comp- CASE
any for pool creation and special pool 9582
10 rules, Lea County, New Mexico.

11
12 BEFORE: Victor T. Lyon, Examiner
13

14
15 TRANSCRIPT OF HEARING
16

17
18 A P P E A R A N C E S

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

22 For the Applicant:
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. LYON: Case 9582.

MR. STOVALL: Case 9582, application of Strata Production Company for pool creation and special pool rules, or in the alternative for pool extension and special pool rules, Lea County, New Mexico.

Applicant requests this case be dismissed.

MR. LYON: Continued.

MR. STOVALL: Continued, I'm sorry, to February 1st.

MR. LYON: On motion of applicant, Case 9582 is continued to the February 1st Examiner hearing.

(Hearing concluded.)

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. 9582
heard by me on Jan 18 1989.
WJL, Examiner
Oil Conservation Division

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 15 February 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Strata Production Com- CASE
10 pany for pool creation and special 9582
11 pool rules, or in the alternative for
12 pool extension and special pool rules,
13 Lea County, New Mexico.

14 BEFORE: Michael E. Stogner, Examiner

15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19 For the Division: Robert G. Stovall
20 Legal Counsel to the Division
21 State Land Office Building
22 Santa Fe, New Mexico

23 For Strata Production W. Perry Pearce
24 Company: Attorney at Law
25 MONTGOMERY & ANDREWS
P. O. Box 2307
Santa Fe, New Mexico 87504

1 MR. STOGNER: We'll call next
2 Case Number 9582.

3 MR. STOVALL: Application of
4 Strata Production Company for pool creation and special
5 pool rules, or in the alternative for pool extension and
6 special pool rules, Lea County, New Mexico.

7 MR. STOGNER: Call for appear-
8 ances in this case.

9 MR. PEARCE: Thank you, Mr.
10 Examiner. My name is W. Perry Pearce from the law firm
11 Montgomery and Andrews, appearing in this matter.

12 Again I appeared at a previous
13 hearing representing Strata Production. At that time we
14 had a notice problem because we had been unable to effect
15 service by certified mail on the Bureau of Land Management.

16 I have to submit what I have
17 marked as Strata Exhibit One-A to this case, which is an
18 affidavit of hand delivery to the Bureau of Land Manage-
19 ment Albuquerque office on January the 18th of 1989.

20 I would submit that affidavit
21 at this time, ask that it be admitted to the record, and if
22 there is nothing further, I would ask that the case be
23 taken under advisement.

24 Is there anything further in
25 this case, Mr. Pearce?

1 MR. PEARCE: Nothing.

2 MR. STOGNER: Does anybody
3 else have anything further in Case Number 9582?

4 This case will be taken under
5 advisement.

6
7 (Hearing concluded.)
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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. 9582,
heard by me on 15 February 1989.

Michael W. Higgins, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date FEBRUARY 1, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W T Kellorham Phil Best - William L. San Robert C. Leibrock S. Cavin - Archie Hulm Danny Boone - Bill Hawkins Michael Eluba George L. Scott C. C. KENNEDY R. F. Bortel Sarah Wms Craig Eggerman Mark S. Craig Jeffrey R. Maisch	Kellorham Kellorham Arken Meridian Oil Inc. Campbell & Black, P.A. Amerind Oil Co. Modvall Law Firm Byram Meridian Oil Amoco Amoco Strata Production Corp. Scott Exploration, Inc. INDEPENDENT BLM N.M. & O Mobil Mobil Mobil	Santa Fe Farmington Santa Fe Midland, Texas Alb, NM Santa Fe Farmington Denver DENVER Roswell ALBQ S.F. Tulsa Ok Denver Co Denver, CO Denver CO

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date FEBRUARY 1, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W. Perry Pearce Carolyn Sedberry GEORGE KEISER	Montgomery & Andrews DACCESA "	Santa Fe Albuquerque El Paso "
AL GRAY F. Olney James A. Smith	DEWSON MONTAGNE OCS MERIDIAN OIL INC	FARMINGTON Ogden Farmington

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 1 February

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Strata Production Com- CASE
10 pany for pool creation and special 9582
11 pool rules, or in the alternative for
12 pool extension and special pool rules,
13 Lea County, New Mexico.

14 BEFORE: David R. Catanach, Examiner

15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19
20 For the Division:

21 For Strata Production
22 Company:

W. Perry Pearce
Attorney at Law
MONTGOMERY & ANDREWS
P. O. Box 2307
Santa Fe, New Mexico 87504

I N D E X

STEPHEN T. MITCHELL

Direct Examination by Mr. Pearce

4

Cross Examination by Mr. Catanach

14

E X H I B I T S

Strata Exhibit One, Production Map

5

Strata Exhibit Two, Structural Map

6

Strata Exhibit Three, Isopach

6

Strata Exhibit Four, Cross Section

6

Strata Exhibit Five, Decline Curve

9

Strata Exhibit Six, Data

9

1 MR. CATANACH: We'll go on to
2 Case 9582. The application of Strata Production Company
3 for pool creation and special pool rules, or in the alter-
4 native for pool extension and special pool rules, Lea
5 County, New Mexico.

6 Are there appearances in this
7 case?

8 MR. PEARCE: May it please the
9 Examiner, I am W. Perry Pearce of the law firm of Montgom-
10 ery & Andrews, appearing in this matter on behalf of Strata
11 Production Company.

12 I have one witness who needs
13 to be sworn.

14 MR. CATANACH: Any other ap-
15 pearances in this case?

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

18
19 (Witness sworn.)
20

21 MR. CATANACH: You may pro-
22 ceed, Mr. Pearce.

23 MR. PEARCE: Thank you, Mr.
24 Examiner.
25

1 STEPHEN T. MITCHELL,

2
3 being called as a witness and being duly sworn upon his
4 oath, testified as follows, to-wit:

5
6 DIRECT EXAMINATION

7 BY MR. PEARCE:

8 Q Would you please state your name and
9 your employer for the record?

10 A My name is Stephen T. Mitchell and I
11 work for Scott Exploration.

12 Q Mr. Mitchell, are you appearing in this
13 matter on behalf of Strata Production Company?

14 A Yes, I am.

15 Q Okay. Have you appeared before the New
16 Mexico Oil Conservation Division examiners previously and
17 had your credentials made a matter of record?

18 A Yes, I have.

19 Q Okay. And you are qualified as a petro-
20 leum geologist?

21 A Yes.

22 Q And are you familiar with the subject
23 matter of Strata's application in this case?

24 A Yes, I am.

25 Q And have prepared -- have performed cer-

1 tain work relating to that matter and prepared certain ex-
2 hibits, is that correct?

3 A That's correct.

4 MR. PEARCE: Mr. Examiner, at
5 this time I would tender Mr. Mitchell as an expert in the
6 field of petroleum geology.

7 MR. CATANACH: He is so qual-
8 ified.

9 Q Mr. Mitchell, at this time I would ask
10 you to refer to what we've marked as Exhibit Number One --

11 A Okay.

12 Q -- to this case, and if you will de-
13 scribe for the Examiner and others in attendance what this
14 exhibit reflects.

15 A Okay. Exhibit Number One is a produc-
16 tion map. It shows the deep control. The wells that are
17 deep control have a symbol around them. The wells that are
18 circled and colored in red are the Bone Spring sandstone
19 producers.

20 Q All right, sir, and I notice a dashed
21 line running north/south on this line. What is that line?

22 A That is -- that shows the line of cross
23 section for Exhibit Number Four.

24 Q Okay. All right, sir, let's put that --
25 oh, let's identify which well is involved in the case that

1 we're talking about today reflected on this map.

2 A Okay, it's in Section 4 of 21 South, 32
3 East. It's the --

4 Q Most southerly well on the cross sec-
5 tion?

6 A -- most southerly well; it's colored in
7 red.

8 Q All right, sir, thank you. Let's turn
9 now, please, to Exhibit Number Two and would you please de-
10 scribe that exhibit?

11 A Okay. Exhibit Number Two is a structure
12 map on top of the first Bone Spring sandstone and it just
13 shows that the regional dip of the Bone Spring sandstone is
14 to the southeast.

15 Q And let's turn quickly to Number Three,
16 please.

17 A Exhibit Number Three is a gross sand-
18 stone isopach and it essentially shows the reservoir mor-
19 phology of the first Bone Spring sandstone.

20 Q And you participated in constructing
21 this isopach, is that correct?

22 A Yes, that's correct.

23 Q All right, and once again, the well that
24 we're concerned with in today's hearing is which well?

25 A The well in Section 4 in the northeast

1 quarter. It's circled and colored red.

2 Q A well that shows 72 feet --

3 A Of gross --

4 Q -- gross --

5 A -- sandstone.

6 Q Okay. Thank you, sir. Mr. Mitchell, on
7 Exhibit Number One we showed the trace of a cross section.
8 We have hung that cross section, which is our Exhibit Num-
9 ber Four, on the wall. I would ask you to approach that
10 exhibit and describe the items of particular interest on
11 that exhibit and I would ask you to make sure you speak up
12 particularly at this point because it will be very diffi-
13 cult to hear you.

14 A Okay. This cross section shows -- shows
15 the pay zone that's producing in the New Mexico Federal 2-A
16 and it shows that it correlates into the closest producer
17 with a history of production, into the Sinclair Mahaffey
18 Well.

19 Q Okay, the well under concern is the well
20 at the lefthand side of the exhibit. Could you describe
21 the other three wells reflected, please.

22 A Okay. The well straight north is the --
23 is also a Strata Well. It's the Gavilan Federal No. 1. It
24 is also perforated in the first Bone Spring sandstone and
25 was completed as a producer out of the first Bone Spring

1 sandstone.

2 Q When was that well completed as a Bone
3 Spring producer?

4 A That well was completed approximately
5 6-87.

6 Q Okay.

7 A The next well is to the north of the
8 Gavilan Federal Well. It is the Amoco Production No. 1
9 Federal "DI". It is also perforated in the first Bone
10 Spring sandstone. It was never fraced, however, and it
11 produced a small amount of oil. This was the well that
12 lead us to the discovery of the field.

13 And then the next, the furthest well to
14 the north is the Sinclair No. 1 Mahaffey Federal Well and
15 this is approximately three miles to the northeast of the
16 well in question, the New Mexico Federal 2-A, and it's --
17 it's got a well history, I mean a production history of
18 about 25 (unclear).

19 Q Mr. Mitchell, I notice that on the exhi-
20 bit there are some items highlighted in yellow on the
21 Mahaffey Well. Could you describe those for us, please?

22 A Yes. Those just indicate the water sat-
23 urations of the first Bone Spring sandstone.

24 Q And will those values be discussed in a
25 subsequent exhibit?

1 A Yes. These will be used in Exhibit
2 Number Six in the volumetric calculations.

3 Q All right, sir. Would you at this time
4 return to your seat, please?

5 All right, Mr. Mitchell, let's look at
6 your Exhibit Number Five, if we could, at this time,
7 please.

8 A Okay. Exhibit Number Five is a decline
9 curve for the Sinclair Oil and Gas No. 1 Mahaffey Federal
10 Well and it shows that -- shows the total cumulative pro-
11 duction for the well and that the well has drained a sig-
12 nificant area.

13 Q Okay, once again, is some of the inform-
14 ation from this exhibit going to be used in Exhibit Number
15 Six?

16 A Yes, it is.

17 Q All right. To end the sense of
18 suspense, let's look at Exhibit Number Six, please, Mr.
19 Mitchell.

20 A Okay. Exhibit Number Six can be divided
21 into two parts.

22 The first paragraph essentially shows
23 that the Mahaffey Federal Well has drained more than 40
24 acres based on the volumetric calculations. On 40 acres
25 this well should have drained approximately 87,138 barrels.

1 Based on 80 acres the volumetric calcu-
2 lations indicate this well will drain 174,275 barrels.

3 To date this well has drained -- has
4 produced 168,987 barrels, which indicates that this well is
5 essentially draining 80 acres --

6 Q All right, let's --

7 A -- or greater.

8 Q Let's pause right there and still talk
9 about the Mahaffey well for a moment and highlight what
10 we've just run through.

11 According to your calculation based upon
12 the information which you derive from the Mahaffey well
13 log, you believe that based upon 89-acre spacing, volumet-
14 rics indicate production of about 174-or-75,000 barrels, is
15 that correct?

16 A That's correct.

17 Q And that if that well were only draining
18 40 acres, the well should have been expected to recover
19 about 87,000 barrels. Is that correct?

20 A Yes, that's correct.

21 Q And in fact, the Mahaffey well to date
22 has produced about 168,000.

23 A Yes, that's correct.

24 Q Okay. Am I correct that that leads you
25 to the conclusion that the Mahaffey well, although spaced

1 on 40 acres, has to be draining a larger area?

2 A Yes, that's correct.

3 Q All right. Now, when we discussed Ex-
4 hibit Number Four, the cross section, you found some simi-
5 larities between the log of the Mahaffey well and the well
6 in question, is that correct?

7 A Yes, that's correct.

8 Q All right. Now, have you performed the
9 same sort of volumetric calculation on expected recovery on
10 the well in question?

11 A Yes, I have.

12 Q All right. Let's discuss the bottom
13 part of Exhibit Number Six and would you indicate what that
14 shows, please?

15 A Okay. The second half of Exhibit Six
16 shows that based on 40 acres the Federal 2-A Well will
17 drain approximately 78,550 barrels, and based on 80 acres
18 this well will produce approximately 157,000 barrels.

19 Q I'm sure, Mr. Mitchell, it's fair to say
20 that Strata hopes the well will recover 157 rather than 78.

21 A Yeah, that's correct.

22 Q All right. The very bottom part of that
23 exhibit discusses some economics. Could you summarize that
24 for us, please, sir?

25 A Okay. Well, essentially we're looking

1 at the return on investment. Based on 40-acre spacing the
2 total return would be \$899,152, and that would give us a
3 total return on investment of a 1.41, which really wouldn't
4 be acceptable.

5 And based on 80-acre spacing the well
6 will gross \$1,798,000, and that would give a more accept-
7 able return on investment of 2.8-to-1 and would allow us to
8 drill that acreage.

9 Q And do you believe that by allowing the
10 higher return on investment more wells are likely to be
11 drilled and the area is more likely to be developed and
12 therefor waste will be prevented?

13 A Yes.

14 Q All right, sir.

15 MR. PEARCE: Mr. Examiner,
16 there are a couple of things that -- that I need to pause
17 briefly to address.

18 The application was filed in
19 the alternative. We are seeking what is shown as the
20 second alternative resolution, which is the combining of
21 this well and its acreage into the preset Hat Mesa Bone
22 Spring Pool, which is a one-well pool including the Gavilan
23 well at this time. That pool was recently created by the
24 Division in a nomenclature case, and it is presently spaced
25

1 at 40 acres. We are seeking to have this acreage included
2 with that new pool and have 80-acre spacing applied to the
3 expanded Hat Mesa Bone Spring Pool.

4 We believe that the well in
5 question and the Gavilan well are drawing from a common
6 source of supply and we believe based upon our geological
7 and volumetric calculations and review that 80-acre spacing
8 is the appropriate spacing for that pool.

9 We are also seeking dedication
10 of either north half, south half, east half, or west half
11 to wells within the expanded Hat Mesa Bone Spring Pool, and
12 we are seeking standard locations for that pool, any loca-
13 tion within 150 feet of the center of a quarter quarter
14 section.

15 The other matter that I need
16 to address on this record is notice in this case. Under
17 Division Rule 1207 the party entitled to receive notice of
18 this matter was the Bureau of Land Management. I will
19 provide copies for the Division's record by letter dated
20 January 9th of 1989, certified mail, return receipt re-
21 quested, I sent a copy of our application in this matter to
22 the BLM Albuquerque office.

23 That letter was returned to my
24 office as undeliverable and when we received it back in my
25 office I had a copy of the application hand delivered to

1 the BLM office in Albuquerque. That delivery took place on
2 January the 18th of 1989, and as I say, I will provide
3 copies of the certificate of mailing along with the return
4 and an affidavit that the application was hand delivered to
5 the office.

6 Q Mr. Mitchell, at this time do you have
7 anything further to discuss with the examiner on this case?

8 A No, I don't.

9 MR. PEARCE: Mr. Examiner, I
10 have nothing further. I would move the admission of Strata
11 Exhibits One through Six to this proceeding.

12 MR. CATANACH: Exhibits One
13 through Six will be admitted into evidence.

14 MR. PEARCE: And I have no-
15 thing further.

16
17 CROSS EXAMINATION

18 BY MR. CATANACH:

19 Q Mr. Mitchell, is the Mahaffey Well pro-
20 ducing from a different pool?

21 A Yes, it is. That is the West Tejas
22 (sic) Bone Spring.

23 Q Do you know if that pool is spaced on --

24 A I believe that's spaced on 40 acres.

25 Q -- 40 acres?

1 A There are no offsets really to that
2 well, so there really hasn't been any complaints or no one
3 else has really tried to get that on 80-acre spacing.

4 Q That's the only well in that pool?

5 A Yes, essentially it is, yes.

6 Q And you operate, Strata operates the
7 Gavilan Federal No. 1?

8 A Yes, that's correct.

9 Q When was that drilled?

10 A That was a re-entry well and that was
11 recompleted in approximately 6 of '87.

12 Q Have you done any volumetric analysis on
13 that well?

14 A On the --

15 Q On the Gavilan?

16 A On the Gavilan? Well, it would be very
17 similar to the 2-A but the net feet of pay is -- is very
18 similar. It's probably about 5 feet difference, so the
19 Gavilan Federal Well should be essentially about the same
20 as the -- as the 2-A.

21 Q The 2-A has not been drilled yet, is
22 that right?

23 A The 2-A was also a re-entry well of a
24 Grace -- well, the Grace well was never plugged, so it's --
25 essentially we just went back into the Grace hole and set a

1 bridge plug above the Pennsylvanian and recompleted to the
2 first Bone Spring sand.

3 Q So it has been recompleted?

4 A Yes, it has.

5 Q What is it currently producing?

6 A That well is producing approximately 100
7 barrels of oil per day and was potentialed, I believe, for
8 135 barrels of oil per day, and it's also producing approx-
9 imately 250,000 MCF of gas.

10 Q Have you done any decline curves on the
11 Gavilan in it?

12 A No, sir, that well's been -- has been
13 shut in awaiting a gas contract and a gas hook-up.

14 Q So it hasn't produced at all?

15 A It's only produced -- produced for ap-
16 proximately a month. At that point we were advised to shut
17 the well in.

18 Q The second part of Exhibit Number Six,
19 the volumetrics, what were those based on? Was that for
20 the No. 2 Well?

21 A Essentially that was the average feet of
22 pay -- of effective porosity over the field, but it also is
23 coincident with the -- with the net feet of pay in the 2-A.

24 Q You say average. How did you determine
25 the average?

1 A Well, I looked at the -- I looked at the
2 Gavilan Federal Well and I looked at the New Mexico 1-A
3 Well, and the Gavilan Well had approximately 48 feet of pay
4 and the 2-A Well had 42 feet of effective pay, and I used
5 45 feet as the average.

6 Q What about all the other parameters of
7 porosity and recovery factor and --

8 A Okay, well, the porosity in the Gavilan
9 Well and in the 2-A averaged approximately 12-1/2 percent.
10 That was probably a little bit optimistic.

11 Primary recovery factor, 10 percent.
12 That works essentially for almost all the Bone Spring sand-
13 stones; that's what we use on almost all the Bone Spring
14 sandstone reservoirs.

15 The water saturation, that was the water
16 saturations found in some of the nearby wells. We did not
17 have resistivity logs on the 2-A or the Gavilan well.

18 Shrinkage factor, that's just a -- the
19 common number we use in the Permian Basin there.

20 That's covers the parameters.

21 Q What is the Gavilan Well capable of pro-
22 ducing?

23 A The Gavilan Well is capable of producing
24 60 barrels of oil per day and 60 barrels of water at the
25 time we shut it in.

1 Q Do you know if there are any other Bone
2 Spring pools in this area that are spaced on 80 acres?

3 A The closest field that I know of is the
4 -- is probably 20 miles away in 18 South, 30 East. It's
5 the Santa Nino Bone Spring.

6 Q How many miles away?

7 A It's probably 20 miles away, but there's
8 -- yeah, there's not really any nearby Bone Spring produc-
9 tion.

10 Q Except for these.

11 A Except for these wells, uh-huh.

12 Q Is Strata requesting that this -- these
13 pool rules be temporary or --

14 MR. PEARCE: If I may, Mr.
15 Examiner, we're seeking 3-year temporary rules.

16 MR. CATANACH: 3-year?

17 MR. PEARCE: Yes, sir.

18 MR. CATANACH: Usually we pro-
19 mulgate rules for a period of 2 years. Do you want to ad-
20 dress why you want this --

21 MR. PEARCE: We believe that
22 the extra year might allow us to more accurately assess the
23 proper drainage in this pool. Depending upon the further
24 development in this pool, Mr. Examiner, it may be that
25 there will be sufficient information in two years. We are

1 particularly confident of our ability to get wells on and
2 producing and develop sufficient information in that time.

3 Q Mr. Mitchell, do you have any more wells
4 planned for this area?

5 A Yes. We plan on developing the north
6 half of Section 4 and we've a commitment on the farmout to
7 drill another well within 2 to 3 months, and that well
8 would probably be located in the northeast northeast quar-
9 ter of Section 4.

10 Q What are the current boundaries of the
11 pool, do you know?

12 A The --

13 Q Is it just the 40 acres?

14 MR. PEARCE: I may -- yeah, I
15 may have confused the record. The application initially
16 was for the creation of a new pool. It is an undesignated
17 at this time.

18 The Hat Mesa Bone Spring Pool
19 in which the Gavilan is located comprises, as I understand
20 it, all of Section 33.

21 MR. CATANACH: All of Section
22 33?

23 MR. PEARCE: That's what I
24 understand. Yes, sir.

25 MR. CATANACH: Do you know

1 when that was created?

2 MR. PEARCE: I understand the
3 order was signed in mid to late December of 1988.

4 As a matter of fact, I had
5 understood that the name Hat Mesa Bone Spring was avail-
6 able and when I sent the application in I was informed that
7 in fact the Division had recently created a pool with the
8 same name.

9 MR. CATANACH: I see.

10 Q Mr. Mitchell, that's an irregular sec-
11 tion, that Section 4. You wouldn't have anything that
12 identifies the lots?

13 A Let's see. I could tell you it is the
14 northern 320 acres of that section.

15 Q But they are lots?

16 A I believe that lease map -- show that --
17 that would be (inaudible to reporter).

18 Q So you plan on dedicating the Lots 2 and
19 7, which would be a standup 80-acre proration unit --

20 A Yes, sir.

21 Q -- to the well. Do you know if those
22 are 40-acre lots?

23 A Yes, sir, they are.

24 Q They are 40 acres?

25 A Yes.

1 Q Is that a -- do you know if that would
2 be a standard location for an 80-acre --

3 A Yes, it is.

4 Q It is? What about the Gavilan?

5 A Yes, that is also a standard location.

6 Q Mr. Mitchell, what is the offset acreage
7 ownership status? Do you own most of the offset acreage?

8 A Well, Exxon Corporation has the offset
9 acreage to west and Grace Petroleum has the offset acreage
10 to the south. And we have most of the remaining offset ac-
11 reage.

12 Q You say Exxon owns --

13 A Yes, it's Section 32 of 20 South, 33
14 East.

15 Q And in Section 4?

16 A In Section 4, the rest of Section 4 is
17 -- is owned by Grace Petroleum.

18 Q Did you have an opinion whether --
19 whether or not these -- your two wells are producing from
20 the same -- from the same common source of supply as the
21 Mahaffey Well?

22 A I believe it's stratigraphically equiva-
23 lent but I don't believe it is the same. I don't believe
24 they are connected.

25 There's a well in Section 23 of 20

1 South, 33 East, which tested the Bone Spring sandstone, the
2 equivalent zone, and it tested tight, so I believe there's
3 a stratigraphic permeability barrier.

4 That well would be right here and this
5 well here in 27 is appearing to get fairly tight, also, so
6 you're losing the porosity. You can see the stratigraphic
7 equivalent. Here's the top of your first Bone Spring sand
8 and you can see that stratigraphic (unclear) but it does
9 appear to be getting tight right up here at the north.
10 This well is getting tight and the well in 23 is actually
11 perforated and produces very little oil.

12 Q The well in Section 27 is not producing.

13 A No, sir.

14 Q But it was tested?

15 A Yes, it was tested.

16 MR. CATANACH: Mr. Pearce, do
17 you have any -- do you anticipate BLM having any opinion on
18 this?

19 MR. PEARCE: I do not antici-
20 pate BLM responding or if they do respond, I do not antici-
21 pate BLM opposing this matter.

22 MR. CATANACH: However, they
23 were notified.

24 MR. PEARCE: They -- they were
25 notified, Mr. Examiner. They have an interest, as I under-

1 stand it, surrounding the current Hat Mesa Bone Spring
2 Pool.

3 MR. CATANACH: As far as un-
4 leased acreage?

5 MR. PEARCE: Yes, they had a
6 lease and it expired on some of that acreage, recently ex-
7 pired within the last couple of months.

8 MR. CATANACH: Just the same,
9 they were notified 12 days prior to the hearing so --

10 MR. PEARCE: Yes, that is
11 correct, Mr. Examiner.

12 MR. CATANACH: Do you think we
13 need to continue this case? Is there any way you can get
14 some kind of verbal from BLM or some kind of written waiver
15 or --

16 MR. PEARCE: Mr. Examiner, my
17 -- my sense is that probably this case needs to be contin-
18 ued for two weeks and called again. I don't -- I suspect
19 that getting a response out of the BLM sooner than that
20 would be difficult, at best, just to get them to sign a
21 waiver and have the proper authority's approval.

22 I think it may be faster to
23 just roll it two weeks.

24 MR. CATANACH: Okay. Well,
25 then, we'll do that. We'll continue this case until

1 February the 15th, leave the record open, and call it again
2 at that time.

3 MR. PEARCE: Right. Mr. Exa-
4 miner, one thing which I will submit to the Division,
5 before that next hearing is an affidavit indicating hand
6 delivery to the BLM on the 18th.

7 MR. CATANACH: Is there any-
8 thing further in this case at this time?

9 If not, we will leave the
10 record open and continue it to February 15th.

11
12 (Hearing concluded.)
13
14
15
16
17
18
19
20
21
22
23
24
25

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. 9582,
heard by me on February 1 1984.
David R. Catana, Examiner
Oil Conservation Division

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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:)
Reopened) CASE NO. 9582
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 21, 1991
8:30 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on February 21, 1991, at 8:30 a.m.
at Oil Conservation Division Conference Room, State Land
Office Building, 310 Old Santa Fe Trail, Santa Fe, New
Mexico, before Paula Wegeforth, Certified Court Reporter
No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION BY: PAULA WEGEFORTH
DIVISION Certified Court Reporter
CSR No. 264

I N D E X

February 21, 1991
Examiner Hearing

CASE NO. 9582

PAGE

APPEARANCES

3

REPORTER'S CERTIFICATE

6

* * *

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR STRATA PRODUCTION MONTGOMERY & ANDREWS
COMPANY: Attorneys at Law
BY: W. PERRY PEARCE, ESQ.
Santa Fe, New Mexico 87501

* * *

1 EXAMINER CATANACH: At this time we will call
2 Case 9582.

3 MR. STOVALL: In the matter of Case 9582 being
4 reopened pursuant to the provisions of Division Order
5 No. R-8872, which order promulgated special rules and
6 regulations for the Hat Mesa-Bone Spring Pool in Lea
7 County, New Mexico, including provisions for 80-acre
8 spacing and proration units and designated well location
9 requirements.

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

12 MR. STOVALL: Mr. Examiner, in an off-the-record
13 discussion with Mr. Pearce, who is not entering an
14 appearance in this, I believe he has attempted to contact
15 Strata; is that correct, Mr. Pearce?

16 MR. PEARCE: That is correct. I represented Strata
17 Production Company. I contacted them with regard to this
18 case and have not heard anything from them. Rather than
19 dismiss this case for failure to appear, I'd ask the
20 division to continue the case, and I will again attempt to
21 contact Strata and I will inform the division of what their
22 position is on this matter.

23 MR. STOVALL: I recommend that this case be continued
24 to March 7th.

25 EXAMINER CATANACH: March 7th.

1 MR. PEARCE: Thank you.

2 EXAMINER CATANACH: Okay. Case 9582 will therefore be
3 continued to the March 7th docket.

4

5

* * *

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

REPORTER'S CERTIFICATE

I, PAULA WEGEFORTH, a Certified Court Reporter and Notary Public, DO HEREBY CERTIFY that I stenographically reported these proceedings before the Oil Conservation Division; and that the foregoing is a true, complete and accurate transcript of the proceedings of said hearing as appears from my stenographic notes so taken and transcribed under my personal supervision.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome hereof.

DATED at Santa Fe, New Mexico, this 20th day of March, 1991.

My Commission Expires:
 September 27, 1993

Paula Wegeforth
 PAULA WEGEFORTH
 Certified Court Reporter
 CSR No. 264, Notary Public

I do hereby certify that the foregoing is
 a correct and true transcript of the proceedings in
 the Ex parte hearing of Case No. 9582
 heard by me on February 21 1991.

David R. Calamish, Examiner
 Oil Conservation Division

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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:)
SPECIAL RULES AND REGULATIONS FOR) CASE NO. 9582
THE HAT MESA-BONE SPRING POOL,) (Reopened)
LEA COUNTY, NEW MEXICO)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner
March 21, 1991
3:40 p.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on March 21, 1991, at 3:40 p.m.
at Oil Conservation Division Conference Room, State Land
Office Building, 310 Old Santa Fe Trail, Santa Fe, New
Mexico, before Paula Wegeforth, Certified Court Reporter
No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION BY: PAULA WEGEFORTH
DIVISION Certified Court Reporter
CSR No. 264

1 EXAMINER STOGNER: Call next case, No. 9582.

2 MR. STOVALL: In the matter of Case 9582 being
3 reopened pursuant to provisions of the Division
4 Order R-8872, which order promulgated special rules and
5 regulations for the Hat Mesa-Bone Spring Pool in
6 Lea County, New Mexico.

7 EXAMINER STOGNER: At this time I'll -- I'm sorry.

8 MR. STOVALL: That includes any provisions for 80-acre
9 spacing and proration units.

10 EXAMINER STOGNER: And designated well location
11 requirements.

12 MR. STOVALL: And designated well location
13 requirements as well.

14 EXAMINER STOGNER: At this time I'll call for any
15 appearances.

16 MR. STOVALL: Mr. Examiner, this case came up on the
17 docket before, and nobody really knew what it was there
18 for. Mr. Pearce advised us that he had represented, I
19 believe, Strata Petroleum, if I'm not mistaken.

20 In the original case he had not been contacted
21 by Strata to come back. He had indicated that he would
22 contact Strata and see if they wanted to do anything.
23 Since he's not here, I'm assuming they didn't want to do
24 anything, so I suggest you take this case under advisement
25 with no evidence being offered in the record.

1 EXAMINER STOGNER: Appropriate action will be taken
2 for this case. I'll take this case under advisement.

3
4
5 * * *

6
7
8
9
10
11
12 I do hereby certify that the foregoing is
13 a true and correct copy of the original as
14 the same is on file in the records of the
15 21 March 1991
16 Michael J. Stogner Examiner
17 Oil Conservation Division

1
2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)


6
7
8 REPORTER'S CERTIFICATE

9 I, PAULA WEGEFORTH, a Certified Court Reporter and
10 Notary Public, DO HEREBY CERTIFY that I stenographically
11 reported these proceedings before the Oil Conservation
12 Division; and that the foregoing is a true, complete and
13 accurate transcript of the proceedings of said hearing as
14 appears from my stenographic notes so taken and transcribed
15 under my personal supervision.

16 I FURTHER CERTIFY that I am not related to nor
17 employed by any of the parties hereto, and have no interest
18 in the outcome hereof.

19 DATED at Santa Fe, New Mexico, this 22nd day of April,
20 1991.

21
22
23 My Commission Expires:
24 September 27, 1993
25 Public


PAULA WEGEFORTH
Certified Court Reporter
CSR No. 264, Notary

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING)
5 CALLED BY THE OIL CONSERVATION)
6 DIVISION FOR THE PURPOSE OF)
7 CONSIDERING:)
8 SPECIAL RULES AND REGULATIONS FOR) CASE NO. 9582
9 THE HAT MESA-BONE SPRING POOL,) (Reopened)
10 LEA COUNTY, NEW MEXICO)
11)

12 REPORTER'S TRANSCRIPT OF PROCEEDINGS

13 EXAMINER HEARING

14 BEFORE: MICHAEL E. STOGNER, Hearing Examiner
15 March 21, 1991
16 3:40 p.m.
17 Santa Fe, New Mexico

18 This matter came on for hearing before the Oil
19 Conservation Division on March 21, 1991, at 3:40 p.m.
20 at Oil Conservation Division Conference Room, State Land
21 Office Building, 310 Old Santa Fe Trail, Santa Fe, New
22 Mexico, before Paula Wegeforth, Certified Court Reporter
23 No. 264, for the State of New Mexico.

24 FOR: OIL CONSERVATION DIVISION BY: PAULA WEGEFORTH
25 Certified Court Reporter
CSR No. 264

1 EXAMINER STOGNER: Call next case, No. 9582.

2 MR. STOVALL: In the matter of Case 9582 being
3 reopened pursuant to provisions of the Division
4 Order R-8872, which order promulgated special rules and
5 regulations for the Hat Mesa-Bone Spring Pool in
6 Lea County, New Mexico.

7 EXAMINER STOGNER: At this time I'll -- I'm sorry.

8 MR. STOVALL: That includes any provisions for 80-acre
9 spacing and proration units.

10 EXAMINER STOGNER: And designated well location
11 requirements.

12 MR. STOVALL: And designated well location
13 requirements as well.

14 EXAMINER STOGNER: At this time I'll call for any
15 appearances.

16 MR. STOVALL: Mr. Examiner, this case came up on the
17 docket before, and nobody really knew what it was there
18 for. Mr. Pearce advised us that he had represented, I
19 believe, Strata Petroleum, if I'm not mistaken.

20 In the original case he had not been contacted
21 by Strata to come back. He had indicated that he would
22 contact Strata and see if they wanted to do anything.
23 Since he's not here, I'm assuming they didn't want to do
24 anything, so I suggest you take this case under advisement
25 with no evidence being offered in the record.

1 EXAMINER STOGNER: Appropriate action will be taken
2 for this case. I'll take this case under advisement.

3
4
5 * * *

6
7
8
9
10
11
12
13
14 I do hereby certify that the foregoing is
15 a correct and true statement of the proceedings in
16 the above hearing of Case No. 9582 (Reopened)
17 heard by me on 21 March 1991.
18 Michael P. Stogner, Examiner
19 Oil Conservation Division
20
21
22
23
24
25

1
2 STATE OF NEW MEXICO)
3) ss.
4 COUNTY OF SANTA FE)


5 REPORTER'S CERTIFICATE

6
7
8 I, PAULA WEGEFORTH, a Certified Court Reporter and
9 Notary Public, DO HEREBY CERTIFY that I stenographically
10 reported these proceedings before the Oil Conservation
11 Division; and that the foregoing is a true, complete and
12 accurate transcript of the proceedings of said hearing as
13 appears from my stenographic notes so taken and transcribed
14 under my personal supervision.

15 I FURTHER CERTIFY that I am not related to nor
16 employed by any of the parties hereto, and have no interest
17 in the outcome hereof.

18 DATED at Santa Fe, New Mexico, this 22nd day of April,
19 1991.

20
21
22 My Commission Expires:
23 September 27, 1993
24 Public

21 
22 PAULA WEGEFORTH
23 Certified Court Reporter
24 CSR No. 264, Notary
25