

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

1 February 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Inc. for CASE  
compulsory pooling and a non-standard 9592  
gas proration unit, San Juan County,  
New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For Meridian Oil, Inc.:

W. Thomas Kellahin  
Attorney at Law  
KELLAHIN, KELLAHIN & AUBREY  
P. O. Box 2265  
Santa Fe, New Mexico 87504

## I N D E X

## JOHN MYRICK

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Catanach 7

## JOHN CALDWELL

Direct Examination by Mr. Kellahin 7

## E X H I B I T S

Meridian Exhibit Two, Well Location Plat 5

Meridian Exhibit Three, Plat 4

Meridian Exhibit Four, Plat Isopach 7

1 MR. CATANACH: At this time  
2 we'll call Case 9592, application of Meridian Oil Incor-  
3 porated for compulsory pooling and a nonstandard gas pro-  
4 duction unit, San Juan County, New Mexico.

5 Appearances in this case?

6 MR. KELLAHIN: Mr. Examiner,  
7 my name is Tom Kellahin of the Santa Fe law firm of Kella-  
8 hin, Kellahin & Aubrey, appearing on behalf of the appli-  
9 cant, Meridian Oil, Inc., and I have two witnesses in this  
10 case.

11 I'd like the record to re-  
12 flect, Mr. Examiner, that both Mr. John Myrick, the landman  
13 for Meridian, and Mr. John Caldwell are already under oath.  
14 They have been sworn and qualified as expert witnesses.

15 MR. CATANACH: The record  
16 shall reflect that, Mr. Kellahin.

17 MR. KELLAHIN: Mr. Catanach,  
18 let me call Mr. John Myrick to the stand.

19  
20 JOHN MYRICK,  
21 being called as a witness previously sworn and remaining  
22 under oath, testified as follows, to-wit:

23  
24 DIRECT EXAMINATION

25 BY MR. KELLAHIN:

1           Q           Mr. Myrick, would you turn to what is  
2 marked as Exhibit Number Three in the exhibit book. For  
3 the Examiner's information, Exhibits One and Two refer to  
4 the originally anticipated compulsory pooling case invol-  
5 ved in this matter, which, because of the subsequent  
6 joinder of all parties, is no longer necessary, but there  
7 is the need to have the nonstandard proration unit ap-  
8 proved.

9                   Let me have you identify, Mr. Myrick,  
10 what is marked as the first exhibit -- first document fol-  
11 lowing the Tab Exhibit Three in the exhibit book.

12           A           Yes, sir, this is a plat showing the  
13 acreage surrounding and showing the proposed Fruitland coal  
14 well location and spacing units for the Fruitland coals  
15 that we plan to drill at this moment.

16           Q           Would you identify for us what is speci-  
17 fically designated as the nonstandard proration unit for  
18 the Turner Com 250 Well?

19           A           Yes, sir, it covers the southwest  
20 quarter of Section 7 and the west half of Section 18, Town-  
21 ship 30 North, Range 9 West, in San Juan County.

22           Q           Turn following that exhibit and look at  
23 the next exhibit under the same tab. What's shown on this  
24 display?

25           A           This is the same plat as the earlier one

1 except that it outlines in the Mesaverde spacing unit now  
2 existing in that area.

3 Q What's the reason that there are a  
4 number of nonstandard proration units in the Mesaverde  
5 stacked along the common boundary between these two town-  
6 ships?

7 A These along the west half of Township 30  
8 North are short sections. In a government survey there  
9 wasn't quite enough acres to fill out a 640-acre section,  
10 so as a consequence the west half of the west half of each  
11 of these sections is short.

12 Q From a landman's perspective, do you  
13 have a recommendation to the Examiner as to whether the  
14 existing Mesaverde nonstandard proration unit ought to be  
15 continued as the same configuration for the Fruitland coal  
16 gas basin yet?

17 A Yes, sir, I do. I think it should be.  
18 I think it's the least disruptive solution for the problem  
19 out there. This way you can make the six half sections  
20 that are short, you can make four full size proration -- or  
21 four proration units that nears the 320-acre proposed  
22 spacing that's desirable.

23 Q Let me direct your attention to the well  
24 location plat that's at the end of the Tab Exhibit Two.  
25 There's one for the well location plus the specific acreage

1 involved in each of the portions of that section.

2 A Yes.

3 Q Is that an accurate compilation of the  
4 acreage involved in that nonstandard unit?

5 A Yes, sir, it is.

6 Q And who are the working interest owners  
7 involved in that nonstandard unit?

8 A Besides El Paso with 201.71 acres, is  
9 Tenneco Oil Company, FMP Operating Company, Conoco, Inc.,  
10 with a 102.68 acre lease in Section 18.

11 Q Do you have the unanimous agreement of  
12 the working interest owners to utilize this nonstandard  
13 proration unit configuration --

14 A Yes.

15 Q -- for the Basin Fruitland coal gas  
16 well?

17 A Yes, sir, they have all signed the oper-  
18 ating agreement proposing this as the spacing unit.

19 Q And do you have in the files of Meridian  
20 Oil Company the necessary title documents by which you can  
21 then determine the ownership and the allocation of produc-  
22 tion for Division order purposes for all owners?

23 A Yes, sir, we do.

24 MR. KELLAHIN: That concludes  
25 my examination of Mr. Myrick.

## CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Myrick, do you know if that proposed well location is standard with the pool rules?

A Yes, sir, it is, to my understanding it is.

MR. CATANACH: I have no further questions of the witness. He may be excused.

JOHN CALDWELL,

being called as a witness being previously sworn and remaining under oath, testified as follows, to-wit:

## DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Caldwell, let me ask you to direct your attention to the exhibit book and look at the display following Exhibit Number Four. Have you found that, sir?

A Yes, sir, I have.

Q Before we discuss the information and conclusions from that display, would you simply identify what we're looking at?

A The exhibit found under Tab Exhibit Four in the Case 9592 booklet is a computer generated isopach --

1 net coal isopach map superimposed on a land grid, five --  
2 four and a half sections tall by four sections wide,  
3 roughly centered on the appropriate Sections 7 and 18 of  
4 Township 30 North, 9 West in San Juan County.

5 Q In examining whether or not the existing  
6 Mesaverde nonstandard proration unit is a suitable config-  
7 uration for the Fruitland coal gas well, have you examined  
8 the available geology and engineering information for this  
9 particular subject?

10 A Yes, sir, we have.

11 Q Do you have an opinion as to whether or  
12 not there is any engineering or geologic restriction that  
13 precludes you from continuing the same orientation and  
14 configuration for the Fruitland coal gas spacing unit as  
15 you did for the Mesaverde spacing unit?

16 A No, there is no underlying reason why we  
17 should have to change spacing just because we ran into a  
18 governmental township line that appears as an unorthodox  
19 320-acre drill block.

20 Q In terms of your well location within  
21 that nonstandard proration unit, are you at a favorable  
22 well location in terms of the contour map shown on the dis-  
23 play?

24 A Yes, sir, what we've tried to do is op-  
25 timize spacing as well as optimize the other parameters and



1 one of those is thickness, net coal thickness.

2 Q Does the location of this well and the  
3 dedication of this nonstandard proration unit upset the  
4 320-acre spacing pattern for a Fruitland coal gas well?

5 A No, sir, it does not.

6 Q It appears to be consistent with that  
7 general pattern for this particular area, does it not?

8 A Yes, sir, it does.

9 Q I recognize and understand that coal  
10 thickness is certainly not the only and perhaps not the  
11 most important parameter in picking a location. Have you  
12 utilized all other parameters available to you and to the  
13 geologist in determining the optimum location for this  
14 spacing unit?

15 A Yes, sir, we have. We've looked at  
16 other issues that have been addressed in the other pooling  
17 hearings today and several months ago; associated linea-  
18 ments, net thickness, blowouts, over-pressuring data,  
19 any kind of indications that we have of producability have  
20 been dialed into this particular location.

21 Q And this location represents the opti-  
22 mum, then, location for the Fruitland coal well for this  
23 spacing unit?

24 A Yes, sir, and in my mind it does.

25 Q When we look at the footage location

1 shown for the well behind Tab Number Two --

2 A Okay.

3 Q -- are you satisfied as Mr. Myrick was,  
4 that this represents a standard well location under Rule 7  
5 of the Basin Fruitland coal gas rules?

6 A Yes, sir, I am.

7 MR. KELLAHIN: Nothing fur-  
8 ther, Mr. Examiner.

9 We move the introduction of  
10 what is marked as Exhibit Two, Three and Four in this  
11 exhibit book.

12 MR. CATANACH: Exhibit Two,  
13 Three and Four will be admitted as evidence in this case.

14 I have no questions of the  
15 witness. He may be excused.

16 MR. KELLAHIN: Thank you.

17 MR. CATANACH: Anything fur-  
18 ther in Case 9592?

19 MR. KELLAHIN: No, sir.

20 MR. CATANACH: All right, it  
21 will be taken under advisement.

22 This hearing is adjourned.

23

24

(Hearing concluded.)

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. 9592,  
heard by me on February 1 1988.

David R. Cotnam, Examiner  
Oil Conservation Division

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:

CASE NO. 9592  
Order No. R-8870

APPLICATION OF MERIDIAN OIL,  
INC. FOR COMPULSORY POOLING  
AND A NON-STANDARD GAS PRORATION  
UNIT, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 1, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of February, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section

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Order No. R-8870  
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7, and Lots 1, 2, 3, and 4, and the E/2 W/2 of Section 18, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, forming a non-standard 304.39-acre gas spacing and proration unit to be dedicated to its Turner Com Well No. 250 to be drilled at a standard coal gas well location 1595 feet from the South line and 855 feet from the West line of said Section 7.

(3) At the time of the hearing, the applicant testified that all interests in the subject acreage had been voluntarily communitized and therefore requested that the portion of the case requesting compulsory pooling be dismissed.

(4) The proposed non-standard gas proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(5) The entire non-standard gas proration unit may reasonably be presumed productive of gas from the Basin-Fruitland Coal Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(6) The proposed non-standard gas proration unit has previously been approved by Division Order No. R-35, dated December 1, 1950, for use in developing gas reserves in the Blanco-Mesaverde Pool, and has proven to be effective in promoting orderly development in this area.

(7) No offset operator objected to the proposed non-standard gas proration unit.

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(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Basin-Fruitland Coal Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The portion of the case requesting the pooling of all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section 7, and Lots 1, 2, 3, and 4, and the E/2 W/2 of Section 18, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, is hereby dismissed.

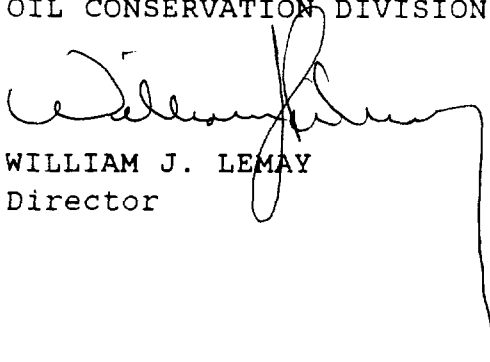
(2) A 304.39-acre non-standard gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising Lots 3 and 4 and the E/2 SW/4 of Section 7, and Lots 1, 2, 3, and 4, and the E/2 W/2 of Section 18, Township 30 North, Range 9 West, NMPM, San Juan County, New Mexico, is hereby established and dedicated to Meridian Oil, Inc.'s. Turner Com Well No. 250 to be drilled at a standard coal gas well location 1595 feet from the South line and 855 feet from the West line of said Section 7.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

February 23, 1989

RECEIVED  
STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
FEB 23 1989

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9522  
ORDER NO. R-3870

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD x

Other \_\_\_\_\_  
\_\_\_\_\_