

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

15 March 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Inc. for CASE  
a non-standard gas proration unit, San 9623  
Juan County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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

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## E X H I B I T S

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1 MR. STOGNER: The hearing will  
2 come to order.

3 We'll call next Case Number  
4 9623.

5 MR. STOVALL: The application  
6 of Meridian Oil, Inc., for a nonstandard gas proration  
7 unit, San Juan County, New Mexico.

8 MR. STOGNER: Call for appear-  
9 ances.

10 MR. KELLAHIN: Mr. Examiner,  
11 I'm Tom Kellahin, Santa Fe, New Mexico, of the law firm of  
12 Kellahin, Kellahin & Aubrey.

13 I'm appearing on behalf of the  
14 applicant and I have two witnesses to be sworn.

15 MR. STOGNER: Are there any  
16 other appearances?

17 Will the witnesses please  
18 stand and be sworn?

19  
20 (Witnesses sworn.)

21  
22 MR. STOGNER: Mr. Kellahin,  
23 please proceed.

24  
25

1                   THOMAS F. HAWKINS,  
2 being called as a witness and being duly sworn upon his  
3 oath, testified as follows, to-wit:

4  
5                   DIRECT EXAMINATION

6 BY MR. KELLAHIN:

7                   Q           Mr. Hawkins, would you please state your  
8 name and occupation?

9                   A           Tom F. Hawkins and I'm a Senior Landman  
10 with Meridian Oil.

11                  Q           Mr. Hawkins, as a landman for your com-  
12 pany have you on prior occasions testified before the Div-  
13 ision?

14                  A           Yes, sir, I have.

15                  Q           And pursuant to your employment as a  
16 landman have you made a study of the land title information  
17 surrounding this particular application?

18                  A           Yes, sir, I have.

19                               MR. KELLAHIN: We tender Mr.  
20 Hawkins as an expert petroleum landman, Mr. Stogner.

21                               MR. STOGNER: Mr. Hawkins is  
22 so qualified.

23                  Q           Let me ask you to turn to the exhibit  
24 book, which contains four tabs, each of which is numbered  
25 as an exhibit.

1                   Let's go through the information con-  
2                   tained behind Tab Number One, and if you'll flip past the  
3                   application itself, let's turn to Exhibit A of the appli-  
4                   cation and use this for a moment to have you describe for  
5                   us, Mr. Hawkins, what your company seeks to accomplish with  
6                   this application.

7                   A               We want to get a pool for a nonstandard  
8                   proration unit comprising Lots 3, 4, 5, 6, 7 and also Lots  
9                   -- of Section 6, and we have the southeast of the northwest  
10                  and the east half of the southwest quarter of Lot -- Sec-  
11                  tion 6, and then the Lots 1 and 2 and the east half of the  
12                  northwest quarter of Section 7.

13                  Q               This exhibit shows a location for a  
14                  well. Is that the location of the Quigley Well?

15                  A               Yes, sir.

16                  Q               And is that a standard location as best  
17                  you know in the Basin Fruitland Coal Gas Pool?

18                  A               Yes, sir.

19                  Q               What is the total acreage that you are  
20                  proposing be assigned in the Basin Fruitland Coal Gas Pool  
21                  to the Quigley Well?

22                  A               299.85 acres.

23                  Q               What's the basis for making this  
24                  request, Mr. Hawkins?

25                  A               These are -- contain short sections,

1 short lots, and we would like to use the existing -- the  
2 proration unit we have shown as best we can. It includes  
3 120 acres.

4 Q The area offsetting this nonstandard  
5 proration unit is under the operation of what company, Mr.  
6 Hawkins?

7 A Amoco is the only offsetting operator.

8 MR. KELLAHIN: Mr. Stogner,  
9 your copy of Exhibit B, which is attached to this applica-  
10 tion behind Tab 1 shows the original of the return receipt  
11 card showing that pursuant to Division notice rules we have  
12 sent Amoco Notice of this application and the hearing to-  
13 day.

14 Q Let's turn now, Mr. Hawkins, if you  
15 will, to the information contained behind Exhibit Number  
16 Two.

17 What does this show?

18 A This shows the same proration unit that  
19 we have formed for the Quigley Com 250 and the well is also  
20 located on this map.

21 Q Let's turn now, sir, to Exhibit Number  
22 Three and have you identify that display.

23 A This display here, this is it. It shows  
24 the proposed or existing Fruitland proration units sur-  
25 rounding the area of the Quigley Com. It also has the

1 Quigley Com Well located on this proration unit.

2 Q When we look to the south of the pro-  
3 ration unit that you're proposing for the Quigley Well, we  
4 come to another nonstandard proration unit in the Basin  
5 Fruitland Coal Gas Pool, do we not?

6 A Yes, sir.

7 Q And what is the well assigned to that  
8 nonstandard proration unit?

9 A I believe that's the Turner Com 250.

10 MR. KELLAHIN: Mr. Examiner,  
11 I'm like to direct your attention to Case 9592 and Order  
12 No. R-8870, a copy of which I'm presenting to you, that  
13 shows the nonstandard proration unit approved for the  
14 Turner Well to the south.

15 Q What occurs on the western boundary of  
16 this township, Mr. Hawkins that has caused the occurrence  
17 of all these nonstandard proration units in the township?

18 A We have the small sized lots occurred.

19 Q What has been the prior solution that  
20 other operators, including Meridian Oil Company have uti-  
21 lized for production from other formations to -- to resolve  
22 the fact that the western portion of this township con-  
23 tains the nonstandard size sections?

24 A We've tried to create spacing and pro-  
25 ration units that as best include 220 acres as we could.

1                   Q           And this was done for Mesaverde prora-  
2                   tion units?

3                   A           Yes, sir.

4                   Q           And what is shown on the second display  
5                   in Exhibit Number Three?

6                   A           It is the existing Mesaverde proration  
7                   units. We've gone ahead and located the Quigley Com Well in  
8                   that exhibit, also.

9                   Q           Why have you sought to continue the same  
10                  proration unit size and shape for the Quigley Com Well as  
11                  you have utilized on prior -- in prior spacing for the  
12                  Mesaverde proration unit?

13                  A           Well, we have established ownership. We  
14                  have Division orders out. It just provides a consistency  
15                  to the royalty and overriding royalty owners.

16                  Q           As a landman do you see any other alter-  
17                  native solution that is more suitable to resolve this town-  
18                  ship anomaly, if you will, than the one you've proposed to-  
19                  day?

20                  A           No, sir.

21                               MR. KELLAHIN: That concludes  
22                               my examination of Mr. Hawkins, Mr. Stogner.

23                               We would move the introduction  
24                               of Exhibits One through Three at this time.

25                               MR. STOGNER: Exhibits One



1 through Three will be admitted into evidence.

2  
3 CROSS EXAMINATION

4 BY MR. STOGNER:

5 Q Mr. Hawkins, where is the Amoco acre-  
6 age and which offsets this well -- or proposed proration  
7 unit, I should say?

8 A If you look on the exhibits, Mr. Exam-  
9 iner, where you see the --

10 Q Which one?

11 A Either of the three there.

12 Q Okay, I'll look at Exhibit Number Two.

13 A Okay. Where you see the name "Tenneco"  
14 in the -- right there on each of those --

15 Q Oh, okay. So they offset you to the  
16 north and to the --

17 A Well, they directly offset us to the  
18 east, yes, sir.

19 Q Okay. All right.

20 MR. KELLAHIN: And, for the  
21 record, Amoco has acquired the Tenneco interests in the San  
22 Juan Basin, have they not?

23 A Yes, sir. We just haven't changed all  
24 the maps.

25 MR. STOGNER: Okay, I have no

1 further questions of Mr. Hawkins. He may be excused.

2 Mr. Kellahin?

3 MR. KELLAHIN: Mr. Examiner,  
4 we'd like to call Mr. John Caldwell.

5  
6 JOHN CALDWELL

7 being called as a witness and being duly sworn upon his  
8 oath, testified as follows, to-wit:

9  
10 DIRECT EXAMINATION

11 BY MR. KELLAHIN:

12 Q Mr. Caldwell, would you please state  
13 your name and occupation?

14 A My name is John W. Caldwell. I'm the  
15 Regional Reservoir Engineer for Meridian Oil, Inc., in  
16 Farmington, New Mexico.

17 Q Mr. Caldwell, on prior occasions have  
18 you testified as an expert reservoir engineer on behalf of  
19 your company before the Division?

20 A Yes, sir, I have.

21 Q And pursuant to your employment as a re-  
22 servoir engineer have you made a study of the engineering  
23 facts surrounding this particular application?

24 A Yes, sir, I have.

25 MR. KELLAHIN: Mr. Examiner,

1 we tender Mr. Caldwell as an expert reservoir engineer.

2 MR. STOGNER: Mr. Caldwell is  
3 so qualified.

4 Q Mr. Caldwell, let's turn to the dis-  
5 play following Exhibit Tab Number Four and have you ident-  
6 ify that display for us.

7 A Yes, sir, Exhibit Number Four included  
8 within this application is a Fruitland Coal net isopach of  
9 approximately 20 sections, roughly centered on the Quigley  
10 Com No. 250 in Section 6.

11 Q What's identified by the blue dots on  
12 the display?

13 A The blue dots indicated on the display  
14 indicate wells that have either been drilled at this point  
15 through the Fruitland Coal or are staked and approved  
16 waiting to be drilled, locations in the Fruitland Coal.

17 Q What's the status of the Turner Well in  
18 the nonstandard proration unit to the south of the subject  
19 proration unit?

20 A The Turner No. 250, I believe the APD  
21 has been approved and I'm not sure if we've drilled that,  
22 that well at this point or not.

23 Q It's a well that is scheduled to be  
24 drilled if it's not already drilled yet.

25 A That's right. I believe we're waiting

1 on the order to drill the well.

2 Q In examining the geology and the en-  
3 gineering factors surrounding this particular nonstandard  
4 proration unit do you see any -- any engineering or geolo-  
5 gic reason not to continue the solution utilized for the  
6 Mesaverde nonstandard units when we continue to drill for  
7 production out of the Basin Fruitland Coal Gas Pool.

8 A No, sir, I do not.

9 Q The location for the Quigley Well is  
10 shown by the red star?

11 A Yes, sir, that's correct.

12 Q Has that well been commenced at this  
13 time?

14 A Yes, sir, that well has been drilled.

15 Q Would you give Mr. Stogner the refer-  
16 ences for the various order numbers by which that well was  
17 commenced?

18 A Yes, sir. We originally filed for  
19 administrative approval on July 15th, 1988, for at that  
20 point Undesignated Fruitland Coal or Undesignated Fruitland  
21 reservoir and 160-acre spacing. I believe we designated  
22 the east half of the southwest quarter of Section 6 122.5  
23 acre unit to the well. We received approval for that APD  
24 in early September, NSP No. 1545, which I don't have a copy  
25 of in front of me.

1                   We spud the well then in September 1st  
2 and completed the well on September 11th, 1988.

3                   Q           When were the Basin Fruitland Coal Gas  
4 Pool rules adopted that changed the spacing for the coal  
5 production to 320 acres?

6                   A           I believe we heard the rules during the  
7 July 6th hearing. They were formally adopted November 1st,  
8 1988.

9                   Q           The purpose of this application, then,  
10 is to conform the spacing pattern as best you can to the  
11 new 320-acre spacing?

12                  A           Yes, sir, that's correct.

13                  Q           Do you see any reason not to utilize the  
14 acreage as you proposed as the optimum amount of acreage to  
15 dedicate to the Quigley Well?

16                  A           No, sir, I see no reason why 299 acres,  
17 approximates 320 acre drilling and spacing unit dedicated  
18 to a Fruitland Coal Well.

19                  Q           Does the continuation of approval of  
20 these nonstandard proration units along the township line  
21 circumvent the spacing patterns for 320 acres for the  
22 Fruitland Coal Gas production?

23                  A           No, it does not.

24                  Q           Is the pattern consistent, then, with  
25 the method of development of 320 acres for this area?

1           A           Yes, sir, the blue dots indicated on  
2 Exhibit Four, I think give a pretty good pictorial descrip-  
3 tion of the drainage areas associated with each of the  
4 wells that we're trying to optimize.

5           Q           In your opinion do you have an ultimate  
6 conclusion about whether or not the Examiner should approve  
7 this in order to prevent waste and protect correlative  
8 rights?

9           A           Yes, sir. My ultimate conclusion would  
10 be I feel this application needs to be approved to prevent  
11 waste and protect correlative rights on a 320-acre drainage  
12 basis.

13                               MR. KELLAHIN: That concludes  
14 my examination of Mr. Caldwell.

15                               We would move the introduction  
16 of Exhibit Number Four.

17                               MR. STOGNER: Exhibit Number  
18 Four will be admitted into evidence.

19                               Mr. Kellahin, I have no ques-  
20 tions of this witness at this time.

21                               Is there anything further in  
22 this case?

23                               MR. KELLAHIN: No, sir. That  
24 concludes our presentation.

25                               MR. STOGNER: Does anybody

1 else have anything further in Case Number 9623 at this  
2 time?

3 This case will be taken under  
4 advisement.

5

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. 9623,  
heard by me on 15 April 1989.

Mahmud E. Elmaghrabi, Examiner  
Oil Conservation Division