

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 26 April 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Texaco Producing, Inc. CASE
10 to amend Division Order No. R-8810, Lea 9659
County, New Mexico.

11 BEFORE: David R. Catanach, Examiner
12

13
14 TRANSCRIPT OF HEARING
15

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

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

21 For Texaco Producing, Inc.: Scott Hall
22 Attorney at Law
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24 P. O. Box 2208
25 Santa Fe, New Mexico 87501

I N D E X

ROBERT E. HART

Direct Examination by Mr. Hall

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E X H I B I T S

Texaco Exhibit One, Plats

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Texaco Exhibit Two, Table

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Texaco Exhibit Three, Waivers

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Texaco Exhibit Four, SLO Approval

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Texaco Exhibit Five, Table

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Texaco Exhibit Six, Affidavit

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1 MR. CATANACH: Call Case
2 Number 9659.

3 MR. STOVALL: Application of
4 Texaco Producing, Inc., to amend Division Order No. R-8810,
5 Lea County, New Mexico.

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

8 MR. HALL: Mr. Examiner, Scott
9 Hall from the Campbell & Black law firm on behalf of Tex-
10 aco.

11 We have one witness to be
12 sworn this morning.

13 MR. CATANACH: Will the wit-
14 ness please stand and be sworn in?

15
16 (Witness sworn.)
17

18 ROBERT E. HART,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. HALL:

24 Q For the record please state your name,
25 your place of residence and place of employment.

1 A My name is Robert E. Hart. I live in
2 Hobbs, New Mexico, and I'm employed by Texaco.

3 Q And what do you do for Texaco?

4 A I'm a petroleum engineer.

5 Q All right, now, I understand, Mr. Hart,
6 you've never testified before the Commission or the Divi-
7 sion, is that correct?

8 A No, I have not.

9 Q Would you briefly give the Examiner a
10 summary of your work experience and educational background?

11 A I have a Bachelor's degree in petroleum
12 engineering from the University of Tulsa. I received that
13 December of 1987.

14 And I have been employed by Texaco for
15 one year and three months.

16 Q And that's as a petroleum engineer.

17 A Yes, sir.

18 Q And does your are of responsibility in-
19 clude the San Juan Basin, including eastern New Mexico?

20 A It should be --

21 Q I'm sorry, Permian Basin.

22 A Yes, it does.

23 Q Are you familiar with the subject appli-
24 cation and the lands affected by the application?

25 A Yes, I am.

1 MR. HALL: Are the witness'
2 credentials acceptable?

3 MR. CATANACH: They are.

4 Q Mr. Hart, if you would, what is it that
5 Texaco seeks by this application?

6 A Texaco in Case 9659 seeks to amend Div-
7 ision Order No. R-8810 to add Lovington Penn production to
8 surface commingling with the Abo and Grayburg-San Andres.

9 Q All right, and the previous order was
10 entered in December of 1988, is that correct?

11 A That is correct.

12 Q And it covers how many wells?

13 A Three wells.

14 Q And they are all from the same lease,
15 the State P Lease.

16 A Right, uh-huh.

17 Q And you're adding one additional well?

18 A Yes, we are.

19 Q And that is the State P-14.

20 A Correct.

21 Q Also on the State P lease.

22 A Yes, it is.

23 Q All right, let's look at Exhibit One, if
24 you would, please, if you'd explain that to the examiner.

25 A This is a lease plat of Township 16

1 South, Range 37 East. Section 32 is the one we're inter-
2 ested in, the yellow outline indicates Texaco operated
3 State P Lease.

4 If you'll turn to page 2 here, it's
5 basically the same thing; just got a little more detail.
6 It shows the actual location of wells. We have a legend
7 down at the bottom here indicating that Wells 3 and 4 are
8 produced from the Abo. Well No. 13 is produced from the
9 Grayburg-San Andres and No. 14 is produced from the
10 Lovington Penn.

11 Q All right. Let me ask you about the
12 land status. Is all of Section 32 a state lease?

13 A Yes, it is.

14 Q All right. Let's look at Exhibit Two,
15 please, sir, if you would identify that and explain that to
16 the examiner.

17 A This is a table indicating the working
18 interest ownership of the State P Lease. On the Lovington
19 Abo Wells No. 3 and 4 you can see what percent each of the
20 partners owns here. One thing I'd like to point out on the
21 Lovington San Andres, Texaco Producing has 100 percent
22 working interest ownership in that well due to the oper-
23 ating agreement which states that Texaco has 100 percent
24 ownership of all rights above 5200 and the Grayburg-San
25 Andres production is approximately at 4700 feet.

1 Q All right.

2 A On the Lovington Penn view, we have two
3 columns, one is before payout and one is after payout.
4 Texaco picked up Coats Energy Trust's working interest
5 there due to the fact that they went nonconsent on the
6 completion attempt in the Penn. After -- after payout plus
7 100 percent penalty Coats Energy Trust will back back into
8 their working interest ownership of 1.79839 percent.

9 Q And so the variation to the Coats Energy
10 Trust ownership is really the only variation in ownership
11 at all throughout.

12 A That is correct.

13 Q All right. Let's look at Exhibit Three,
14 please, if you would identify that.

15 A Exhibit Three is waivers from all of the
16 partners indicating their approval for us to surface com-
17 mingle Lovington Penn Abo and Grayburg-San Andres produc-
18 tion.

19 We have approval from Coats Energy
20 Trust, Conoco, Hondo Oil & Gas and Osborne (unclear).

21 Q All right, and Exhibit Four, is that
22 an approval issued by the State Land Office?

23 A Yes, it is.

24 Q All right. If you would go back to the
25 last page of Exhibit Three, I'd like for you to briefly

1 explain to the hearing examiner how you propose to measure
2 production from each of the zones and also explain to him
3 the savings to be realized from not having to install ad-
4 ditional surface facilities.

5 A Okay. Based on the order that was re-
6 ceived in December of 1988, we will allocate production to
7 the Abo and San Andres based on monthly, accurate monthly
8 tests.

9 It's, as you can see here on the sche-
10 matic, there -- we have set a 3-phase separator with sep-
11 arate water, gas, and oil meters on them to get daily
12 readings of Lovington Penn production from the State P-14
13 Lease.

14 The savings that will occur from this
15 proposed surface commingling will be based on the fact that
16 it would cost approximately \$60,000 to install a new bat-
17 tery for the Penn production and in effect this would in-
18 crease our economic limit; thus more, more reserves will be
19 recovered by surface commingling, commingling these three
20 zones.

21 Q All right. Let me ask you, are the
22 characteristics of the hydrocarbons produced out of all
23 these zones compatible?

24 A Yes, all three zones are classified as
25 sweet production.

1 Q For gas and oil?

2 A Right.

3 Q All right, let's look at Exhibit Five,
4 if you would explain that, please.

5 A This is a table showing average daily
6 value of produced hydrocarbons that is the subject of this
7 hearing. As you can see, the average gravity of the Abo
8 production is 37.8 with 21 barrels a day.

9 Grayburg-San Andres gravity is 37 at 14
10 barrels a day, and you can see on the value of dollars per
11 barrel of oil here, we've got a 6 cent penalty on that due
12 to low gravity crude.

13 Upon commingling of these three zones,
14 the average gravity would be increased to above 40 and
15 thus no penalty would be incurred on these and there's a
16 slight increase for average daily value, as you can see
17 down on the note below.

18 Q All right. Mr. Hart, in your opinion
19 will the granting of this application be in the best in-
20 terest of conservation, the prevention of waste, and pro-
21 tection of correlative rights?

22 A Yes, it would.

23 Q And were Exhibits One through Five pre-
24 pared by you or at your direction?

25 A Yes, they were.

1 MR. HALL: We'd move the
2 admission of Exhibits One through Five and also tender
3 Exhibit Six, which is the notice affidavit and information.

4 MR. CATANACH: Exhibits One
5 through Six will be admitted as evidence in this case.

6 MR. HALL: That concludes our
7 direct.

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

10 Is there anything further in
11 this case?

12 MR. HALL: No, sir.

13 MR. CATANACH: If not, Case
14 9659 will be taken under advisement.

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16 (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 and correct transcript of the proceedings in
the Examiner hearing of Case No. 9657,
heard by me on April 26, 1988.
David R. Catamb, Examiner
Oil Conservation Division