

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Case 9750  
Inc., for compulsory pooling,  
San Juan County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

October 4, 1989

**ORIGINAL**

## A P P E A R A N C E S

FOR THE DIVISION:

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BY: W. THOMAS KELLAHIN, ESQ.

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Applicant's Exhibit 9

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1 HEARING EXAMINER: I'll call the next case,  
2 No. 9750, which is the application of Meridian Oil,  
3 Inc., for compulsory pooling, San Juan County, New  
4 Mexico.

5 At this time I'll call for appearances.

6 MR. KELLAHIN: Mr. Examiner I'm Tom  
7 Kellahin of the Santa Fe law firm of Kellahin,  
8 Kellahin & Aubrey, appearing on behalf of the  
9 Applicant.

10 HEARING EXAMINER: Are there any other  
11 appearances in this matter?

12 MR. LOPEZ: Mr. Examiner, my name is Owen  
13 Lopez with the Hinkle law firm in Santa Fe, New  
14 Mexico, appearing on behalf of Richmond Petroleum,  
15 Inc., and we're appearing in support of Meridian's  
16 application.

17 HEARING EXAMINER: Do you have any  
18 witnesses, Mr. Lopez?

19 MR. LOPEZ: No, we don't.

20 HEARING EXAMINER: Thank you, Mr. Lopez.  
21 Are there any other appearances in this  
22 matter?

23 Mr. Kellahin, was this case heard once  
24 before?

25 MR. KELLAHIN: Mr. Examiner, this case was

1 heard as originally filed under the Case No. 9750. It  
2 was heard on September 6. This was one of the  
3 consolidated cases in opposition to Richmond  
4 Petroleum.

5 At the time the case was originally  
6 presented, we proposed the same well location as we're  
7 proposing today, but the configuration of the  
8 Fruitland coal gas proration unit was a nonstandard  
9 proration unit insofar as it included portions of  
10 Section 9 as well as Section 8.

11 Subsequent to the hearing then, on  
12 September 13, we have amended our application,  
13 retained the same case number. The amended  
14 application sought to alter the spacing unit so that,  
15 as it now is proposed to you, it consists of what is  
16 the equivalent of the west half of Section 9.

17 Pursuant to that amendment, Mr. Alan  
18 Alexander of Meridian, as their landman, has  
19 circulated new notifications to all parties. And to  
20 the best of our knowledge, we have no objection to the  
21 amended spacing unit to be dedicated to the Allison  
22 No. 5 Well.

23 HEARING EXAMINER: Mr. Kellahin, there is a  
24 specific well location. Was the well location  
25 presented or proposed at the September 6 hearing the

1 same as the one advertised today?

2 MR. KELLAHIN: Yes, Mr. Examiner. The well  
3 location is to be 900 feet from the south line and  
4 1490 feet from the west line of Section 9. It is my  
5 understanding that is still a standard well location.

6 HEARING EXAMINER: So the only difference  
7 is the proration unit is now within a single section,  
8 being Section 9, being the west half equivalent; is  
9 that correct?

10 MR. KELLAHIN: Yes, sir. And we still need  
11 the compulsory pooling provisions with regard to the  
12 agents in the west half of Section 9.

13 HEARING EXAMINER: Would the witness please  
14 stand and be sworn?

15 MR. KELLAHIN: Mr. Alexander is sworn from  
16 the prior case, and if it's acceptable to the  
17 Examiner, may the record reflect he is still under  
18 oath and has been qualified on previous occasions as a  
19 petroleum landman?

20 HEARING EXAMINER: Let the record so show.

21 Mr. Kellahin, you may continue. What's the  
22 witnesses name again, Mr. Kellahin?

23 MR. KELLAHIN: Alan Alexander.

24 ALAN ALEXANDER,  
25 the witness herein, after having been first duly sworn

1 upon his oath, was examined and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. KELLAHIN:

4 Q. Mr. Alexander, for the record, would you  
5 please state your name and occupation.

6 A. My name is Alan Alexander. I'm employed by  
7 Meridian Oil, Inc., in the Farmington office as a  
8 Senior Landman.

9 Q. Subsequent to the hearing of this case as  
10 consolidated with certain Richmond Petroleum cases at  
11 the hearing on September 6, did you pursue discussions  
12 with Richmond Petroleum with regards to a proposed  
13 settlement of the dispute between the companies?

14 A. I did.

15 Q. As part of that settlement, have you  
16 pursued the consolidation of acreage to reform the  
17 spacing unit for the Allison 135 well so that it  
18 consisted of the equivalent of the west half of  
19 Section 9 of the subject township and range?

20 A. I did.

21 Q. Let me have you turn to the package of  
22 information shown for today's hearing. It's an  
23 exhibit book marked as "October 4 Hearing."

24 Would you turn to the information shown  
25 behind what is marked as Exhibit No. 1? What is that,

1 sir?

2 A. This is the application of the Meridian Oil  
3 for compulsory pooling for the Allison Unit Com No.  
4 135 Well.

5 Q. This will be the amended application?

6 A. That is correct.

7 Q. Pursuant to the preparation of that  
8 application, did you satisfy yourself that that  
9 application contained an accurate exhibit that set  
10 forth the interest and the identity of the parties  
11 which had a working interest in the west half of  
12 Section 9?

13 A. I have satisfied myself to that extent.

14 Q. Can you identify for us on Exhibit No. 2  
15 the amended proration unit that will be dedicated to  
16 the Allison 135 Well?

17 A. Yes, I can. It is shown as consisting of  
18 the west half of Section 9, 32 north, 6 west, and as  
19 you will see on the legend, the markings were  
20 indicated by the proposed Fruitland coal unit.

21 Q. Once the decision was made to pursue the  
22 reformation of the spacing unit to consist of the west  
23 half of Section 9, did you undertake the  
24 responsibility of notifying all working interest  
25 owners of the proposed amendment to the spacing unit?



1 A. Yes, I did.

2 Q. How did you accomplish that?

3 A. I accomplished that through the letters  
4 that are shown behind Exhibit No. 3, dated September  
5 12, 1989. We sent a letter to each of the  
6 participants, setting forth the condition of the  
7 negotiated settlement for the reformation of the unit,  
8 as well as the percentage of each interest owner in  
9 the well.

10 Q. Can you provide for us a tabulation or a  
11 summary that shows the status of the participation of  
12 the various working interest owners in the well?

13 A. Yes, I can. You will find that behind  
14 Exhibit No. 4. It is the last entry in Exhibit No. 4,  
15 immediately behind the Joint Operating Agreement. It  
16 is labeled Exhibit A, and it is the most recent  
17 listing of those parties that would participate in  
18 this proposed unit.

19 Q. Let me have you go down through the list.  
20 The first page of the list identifies various Meridian  
21 operated interests. Would you start with the top and  
22 give us the current status of participation on a  
23 voluntary basis of the various interest owners?

24 A. Yes. As you will note, El Paso Natural Gas  
25 Company is the unit operator for the Allison Unit.

1 That is the land this well is located on, and they  
2 will serve as the unit operator for this well.

3 The Allison Unit working interest owners  
4 own approximately 25 percent of the drilling and  
5 spacing unit. Southland Royalty Company owns  
6 approximately 3-1/2 percent. And T.H. McElvain, in  
7 association with Richmond Petroleum, Richmond  
8 Petroleum took the farmout from the McElvain group.  
9 They own approximately 56 percent of the unit.

10 The remainder of the unit is owned by  
11 individual unleased mineral owners, and they comprise  
12 the list of the parties that have not yet committed to  
13 this drilling venture, and they total approximately 15  
14 percent of the unit.

15 Q. Were these parties individuals that were  
16 originally notified either by notice or by Mr.  
17 Fullerton of Richmond Petroleum with regards to the  
18 formation of spacing units as originally proposed,  
19 which would have been a north half, for one case, and  
20 a south half, for the other case, in Section 9?

21 A. That is correct.

22 Q. These same parties then, under your  
23 direction, were notified subsequent to the September 6  
24 hearing of the proposal to reform the spacing units to  
25 the west half orientation?

1 A. That's correct.

2 Q. Having sent those notices out, did you  
3 receive any objection from any of these parties?

4 A. I have not received any objection to date.

5 Q. When we look at the mechanics by which the  
6 well will be operated, is it correct to have the  
7 pooling order reflect Meridian Oil, Inc., as agent for  
8 El Paso Natural Gas Company?

9 A. That would be correct.

10 Q. We have originally filed this case under  
11 Meridian Oil, Inc. Is that still appropriate?

12 A. It is, and they would be acting as agent  
13 for El Paso Natural Gas Company, the unit operator.

14 Q. And that's consistent with other type of  
15 pooling orders that your company has obtained as agent  
16 for El Paso Natural Gas Company?

17 A. Yes, sir, it is.

18 Q. When you indicate for us the status of  
19 either joinder of an AFE or assigning the joint  
20 operating agreement, is the tabulation as shown on  
21 Exhibit A, which is at the end of the operating  
22 agreement -- is that tabulation correct as of today?

23 A. That is current as of today.

24 HEARING EXAMINER: Mr. Kellahin, before we  
25 go any further, we'll go off the record for a moment.

1 (Thereupon, a discussion was held  
2 off the record.)

3 HEARING EXAMINER: Thank you, Mr.  
4 Kellahin. You may continue.

5 Q. (BY MR. KELLAHIN) Mr. Alexander, let's  
6 turn to the exhibit and look at the information shown  
7 behind Exhibit No. 5. That purports to be an AFE for  
8 the well?

9 A. That is correct.

10 Q. Is it still a correct, current AFE for the  
11 well?

12 A. Yes, sir, it is.

13 Q. That represents the same AFE that was  
14 utilized by your company in its presentation before  
15 this hearing examiner on September 6?

16 A. That's correct.

17 Q. Let's turn to Exhibit 6.

18 Mr. Examiner, for your information, this  
19 simply is a continuation of the same exhibit book from  
20 the prior hearing. I have prepared a proposed order  
21 for entry in this case, and we have proposed to adopt  
22 what this hearing examiner has utilized for similar  
23 coal gas forced pooling cases and prior cases brought  
24 by my client, and that's 156 percent.

25 The proposed exhibit here documents a risk

1 factor of 200 percent, but, as we have discussed in  
2 infinite detail on prior occasions, there are reasons  
3 to reduce that risk factor. If you do so in this  
4 case, we have proposed 156 percent, which is  
5 consistent with what you have done in past cases.

6 HEARING EXAMINER: For the record, what  
7 were the overhead charges at your September 6  
8 hearing?

9 MR. KELLAHIN: Yes, sir. My recollection  
10 is they were \$3,500 per month drilling rate, and that  
11 Mr. Alexander testified that the monthly producing  
12 rate was \$350.

13 Q. Was that not your testimony, Mr. Alexander?

14 A. That's correct.

15 Q. Is it still a correct representation of the  
16 overhead rates to apply in this case?

17 A. Yes, it is.

18 HEARING EXAMINER: As I understand it, Mr.  
19 Kellahin, with this witness, the testimony he would  
20 present would be a repeat of what we heard on  
21 September 6?

22 MR. KELLAHIN: Exactly right. While I have  
23 brought a drilling and production engineer with me  
24 today, Mr. Pat Bennett, I don't propose to depart from  
25 the technical presentation that was given to you back

1 on September 6. The well location is the same, and  
2 the mechanics and the technical data with regards to  
3 the location of the wells remains unchanged.

4 HEARING EXAMINER: Mr. Kellahin, do you see  
5 any reason to continue with this matter today?

6 MR. KELLAHIN: A couple more comments, Mr.  
7 Examiner.

8 Behind Exhibit No. 7, you'll find the  
9 amended Commission forms that show the dedication of  
10 the appropriate spacing unit as we propose to amend  
11 it.

12 HEARING EXAMINER: That being the form C-  
13 101, and C-102; is that correct?

14 MR. KELLAHIN: There will also be a C-103  
15 in the package.

16 HEARING EXAMINER: The C-103 just notifying  
17 us of amended application?

18 MR. KELLAHIN: Yes, sir.

19 HEARING EXAMINER: Anything further, Mr.  
20 Kellahin?

21 MR. KELLAHIN: For the record, Exhibit No.  
22 8 simply represents the coal thickness map Mr. John  
23 Caldwell utilized as an engineer in the prior case,  
24 and all we have done is reoutlined the change in the  
25 proration unit.

1 HEARING EXAMINER: Thank you, Mr.  
2 Kellahin. Anything further?

3 MR. KELLAHIN: Mr. Examiner, Exhibit No. 9  
4 represents the Certificate of Mailing to all parties,  
5 showing them the Amended Application for which I have  
6 attached my cover letter, the Exhibit A which shows  
7 all those parties, and the return receipt cards by  
8 which we have delivered notification to all the  
9 parties to be included in the pooling case  
10 (indicated).

11 HEARING EXAMINER: Anything further, Mr.  
12 Kellahin?

13 MR. KELLAHIN: Finally, Mr. Examiner,  
14 because of our commitment to Richmond Petroleum to  
15 commence the well prior to November 1, we have taken  
16 the opportunity to prepare what we hope is a final  
17 draft of a proposed order for entry in Case 9750, and  
18 I present to you the original and one copy.

19 HEARING EXAMINER: This is not an exhibit?  
20 This is just part of the record; is that correct?

21 MR. KELLAHIN: Yes, sir.

22 HEARING EXAMINER: I guess we ought to  
23 accept Exhibits 1 through 9 on your October 4, 1989,  
24 amended cases.

25 MR. KELLAHIN: If you please, I so move.

1           HEARING EXAMINER: We'll admit those as  
2 evidence at this point.

3           Is there anything further?

4           MR. KELLAHIN: No, Mr. Examiner.

5           HEARING EXAMINER: I have no questions of  
6 this witness. He may be excused. - If nobody has any  
7 questions in Case 9750, it will be taken under  
8 advisement, and we will take a recess until 1:15.

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## 1 CERTIFICATE OF REPORTER

2

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

6

7 I, Deborah O'Bine, Certified Shorthand  
8 Reporter and Notary Public, HEREBY CERTIFY that the  
9 foregoing transcript of proceedings before the Oil  
10 Conservation Division was reported by me; that I  
11 caused my notes to be transcribed under my personal  
12 supervision; and that the foregoing is a true and  
13 accurate record of the proceedings.

14 I FURTHER CERTIFY that I am not a relative  
15 or employee of any of the parties or attorneys  
16 involved in this matter and that I have no personal  
17 interest in the final disposition of this matter.

18 WITNESS MY HAND AND SEAL November 1, 1989.

19



20

DEBORAH O'BINE  
CSR No. 127

21


22 My commission expires: August 10, 1990

23

24

25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 9750,  
heard by me on 4 October 1989.

  
\_\_\_\_\_, Examiner  
Oil Conservation Division