

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 9834

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc., for a
Non-Standard Gas Proration Unit,
Two Unorthodox Gas Well Locations
and Simultaneous Dedication, Lea County,
New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

November 29, 1989

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

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

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT:

No Appearance

I N D E X

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

1 HEARING EXAMINER: I'll call the next case,
2 Number 9834.

3 MR. STOVALL: The application of Texaco,
4 Inc., for a non-standard gas proration unit, two
5 unorthodox gas well locations and simultaneous
6 dedication, Lea County, New Mexico.

7 Applicant requests this case be continued
8 to December 13, 1989.

9 HEARING EXAMINER: Case Number 9834 will be
10 so continued.

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 CERTIFICATE OF REPORTER

2

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

5


6 I, Carla Diane Rodriguez Certified
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
8 that the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me; that
10 I caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL December 3, 1989.

18

19

20


CARLA DIANE RODRIGUEZ
CSR No. 91

21 My commission expires: May 25, 1991

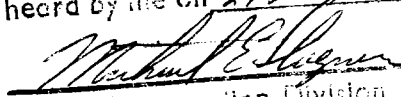
22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9834.
heard by me on 29 November 1989.


Examiner
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc., Case 9834
for a nonstandard gas proration
unit, two unorthodox gas well
locations, and simultaneous
dedication, Lea County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

December 13, 1989

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT: CAMPBELL & BLACK, P.A.
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico 87504
BY: WILLIAM F. CARR, ESQ.

I N D E X

	Page Number
Appearances	2
ROBERT E. HART	
Direct Examination by Mr. Carr	4
Cross-Examination by Hearing Examiner	12
Cross-Examination by Mr. Stovall	14
Further Examination by Hearing Examiner	17
Certificate of Reporter	18
E X H I B I T S	
Texaco Exhibit No. 1	5
Texaco Exhibit No. 2	6
Texaco Exhibit No. 3	6
Texaco Exhibit No. 4	7
Texaco Exhibit No. 5	8
Texaco Exhibit No. 6	10
Texaco Exhibit No. 7	10
Texaco Exhibit No. 8	12

1 HEARING EXAMINER: Let's call Case 9834.

2 MR. STOVALL: Application of Texaco, Inc.,
3 for a nonstandard gas proration unit, two unorthodox
4 gas well locations, and simultaneous dedication, Lea
5 County, New Mexico.

6 HEARING EXAMINER: Appearances in this
7 case?

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the law firm of Campbell
10 & Black, P.A., of Santa Fe. We represent Texaco,
11 Inc., and I have one witness.

12 HEARING EXAMINER: Any other appearances?
13 Will the witness please stand and be
14 sworn?

15 MR. STOVALL: Mr. Examiner, I believe this
16 witness was sworn in the proration case.

17 MR. CARR: That's correct. And the record
18 can reflect that he remains under oath and has been
19 qualified as an expert witness in petroleum
20 engineering.

21 HEARING EXAMINER: The record shall so
22 state.

23 ROBERT E. HART,
24 the witness herein, after having been first duly sworn
25 upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your full name, please.

A. My name is Robert E. Hart.

Q. Mr. Hart, are you familiar with the application filed in this case on behalf of Texaco, Inc.?

A. Yes, sir, I am.

Q. Are you familiar with the subject acreage and the wells located thereon?

A. Yes, sir.

Q. Would you briefly summarize what Texaco seeks with this application?

A. Seeks to combine proration units which are currently 160 acres for the William Weir Numbers 1 and 2 into one nonstandard, 320-acre proration unit.

Q. Does Texaco also seek approval of two unorthodox gas well locations on this new unit?

A. Yes, sir.

Q. Are you also seeking authority to simultaneously dedicate this unit to these gas wells?

A. Yes, sir, we are.

Q. Could you identify what has been marked as Texaco Exhibit No. 1, please.

A. Exhibit No. 1 is a plat mostly consisting

1 of Township 19 South, Range 36 East in Lea County.

2 And as outlined in yellow or highlighted in yellow,

3 that's Texaco's William Weir lease, consisting of 320
4 acres.

5 Q. This lease crosses section lines?

6 A. That is correct.

7 Q. Part of it is in 23, other acreage is in
8 25, and additional acreage is in 26; is that correct?

9 A. Yes, sir, that's correct.

10 Q. This is currently developed on two,
11 160-acre proration units?

12 A. Yes, nonstandard proration units.

13 Q. Would you refer to Exhibit No. 2 and
14 identify that for Mr. Catanach?

15 A. This is a gas well plat that indicates the
16 160 acres dedicated to the William Weir No. 1 outlined
17 in yellow.

18 Q. When was this proration unit actually
19 approved?

20 A. It was approved on November 29, 1954, by
21 Order No. R-539.

22 Q. Let's go to Exhibit No. 3, and I'd ask you
23 to identify that.

24 A. Again, this is a gas well plat, showing the
25 160 acres dedicated to William Weir No. 2. And it's

1 also a nonstandard 160-acre proration unit.

2 Q. When was it approved?

3 A. It was approved on August 2, 1955, by Order
4 No. NSP-165.

5 Q. All right, Mr. Hart, if you would now go to
6 Exhibit No. 4, identify that, and review the
7 information on this exhibit with the Examiner.

8 A. Exhibit No. 4 is a plat of the proposed
9 proration unit, again, outlined in yellow. This one
10 is consisting of 320 acres in Sections 23, 25, and 26
11 of 19 South, 36 East, in Lea County.

12 Q. And this shows the location of the existing
13 Eumont wells on that unit?

14 A. Yes, sir, it does, along with their actual
15 footages from the section boundaries.

16 Q. Are these wells at standard locations for
17 160-acre units?

18 A. Yes, sir, they are.

19 Q. So they're combining unorthodox locations
20 by virtue of combining the two tracts?

21 A. Yes, sir.

22 Q. Why does Texaco propose to combine these
23 two particular proration units?

24 A. Because currently William Weir No. 1 is
25 capable of producing the allowable assigned to a

1 320-acre proration unit. That is with the current low
2 allowables in this field.

3 And No. 2 is a very marginal well, and we
4 feel that that production can be obtained through No.
5 1.

6 Q. And so the purpose of the hearing is to, in
7 fact, increase the allowable that's available to the
8 No. 1 well?

9 A. Yes, sir, it is.

10 Q. Is there a market for the gas from that
11 well?

12 A. Yes, there is.

13 Q. If allowables were increased on a pool-wide
14 basis, would an application like this, in your
15 opinion, be unnecessary?

16 A. Yes, it would be unnecessary.

17 Q. Let's go now to Exhibit No. 5, and I'd ask
18 you to first identify what is depicted on this
19 exhibit.

20 A. Exhibit No. 5 is a plat of Sections 23, 24,
21 25, and 26 of Township 19 South, 36 East. And this
22 plat shows all active Eumont wells in these four
23 sections.

24 Also outlined in red are the proration
25 units that are dedicated to these particular wells.

1 And the numbers you see below the wells themselves are
2 1988 shut-in wellhead pressures.

3 Q. What conclusions can you reach from this
4 pressure information?

5 A. From this information, we can see that, in
6 general, pressures are higher to the west and north of
7 our William Weir No. 1 lease. And this indicates to
8 me that the bulk of reserves would come from the north
9 and west of this No. 1 well, which underlies acreage
10 held by Texaco.

11 Q. Are the shut-in pressures shown on Exhibit
12 No. 6 indicative of reservoir pressures?

13 A. Yes, sir, they are. These wells produce
14 dry gas. And the subsea depth is comparable. So
15 these numbers were corrected back to bottom hole
16 pressure using a Cullender and Smith or some other
17 type method. It's a very good indication of what
18 reservoir pressure would be.

19 Q. And so these pressures do show the relative
20 pressure differences that you would anticipate in the
21 formation?

22 A. Yes, sir, they do.

23 Q. What is the status of the Amerada Hess well
24 that is immediately offsetting to the east of William
25 Weir No. 1?

1 A. That's the Amerada Hess State T No. 3, and
2 that well is currently classified as a marginal well.

3 Q. When was that drilled, do you know?

4 A. In the early 1950's, I believe.

5 Q. Has Amerada been provided with notice of
6 today's hearing?

7 A. Yes, sir, they have.

8 Q. Would you now refer to Texaco Exhibit No. 6
9 and identify this, please.

10 A. Exhibit No. 6 is a production plot of gas
11 production from our William Weir No. 1 well. Of
12 course, on the left-hand side is a logarithmic scale
13 in Mcf per day. The red curve represents Mcf per
14 day. And, of course, on the bottom is time and
15 years.

16 And basically we can see from this plot
17 that William Weir No. 1 production peaks at almost 600
18 Mcf a day, which that would account for the allowable
19 currently assigned to 320-acre proration unit.

20 And one other thing I'd like to point out
21 on here is the spikes that you see on this production
22 plot are due to the fact that the well is shut in due
23 to overproduction.

24 Q. Let's go to Exhibit No. 7, and would you
25 review this, please.

1 A. This Exhibit No. 7 is a production plot of
2 William Weir No. 2. And the conclusion you can draw
3 from this graph is that the well is of very marginal
4 status. It's only capable of producing approximately
5 36 Mcf a day. And I would like to point out that this
6 well was acidized twice and fracture-treated once in
7 the past, and we believe there's no additional
8 stimulation potential there.

9 Q. If this application is granted, do you
10 believe a penalty should be imposed on the producing
11 rate for the William Weir No. 1 well?

12 A. No, sir, I don't. And the reason for this
13 is because, as I indicated on a previous exhibit, I
14 feel that the drainage will come from the north and
15 west, which does underlie acreage held by Texaco, and
16 also the immediate offset to the east is of marginal
17 status.

18 Q. What is the status of the acreage to the
19 south of the proposed William Weir No. 1?

20 A. The immediate -- to the immediate south of
21 William Weir No. 1 is an 80-acre proration unit that
22 Texaco holds. It's the A.L. Christmas B.

23 Q. What impact would the imposition of a
24 penalty have on Texaco's proposal?

25 A. We would prefer that the application be

1 dismissed if there is a penalty imposed.

2 Q. Is Exhibit No. 8 an affidavit with letters
3 attached that shows that notice of this hearing has
4 been provided as required by Division rules?

5 A. Yes, sir.

6 Q. In your opinion, Mr. Hart, will approval of
7 this application result in the increased recovery of
8 natural gas, thereby preventing waste?

9 A. Yes, sir.

10 Q. In your opinion, will granting this
11 application impair the correlative rights of any
12 interest owners in the Eumont Gas Pool?

13 A. I don't think it will impair those rights.

14 Q. Were Exhibits 1 through 8 prepared by you
15 or compiled under your direction and supervision?

16 A. Yes, sir, they were.

17 MR. CARR: At this time, Mr. Catanach, we'd
18 move the admission of Exhibits 1 through 8.

19 HEARING EXAMINER: Exhibits 1 through 8
20 will be admitted as evidence.

21 MR. CARR: That concludes my direct
22 examination of Mr. Hart.

23 CROSS-EXAMINATION

24 BY HEARING EXAMINER:

25 Q. Mr. Hart, do you know if Texaco is the only

1 working interest on this lease?

2 A. Yes, sir, it is. It's 100 percent Texaco.

3 Q. Is that a fee lease?

4 A. Yes, sir, it is.

5 Q. Do you know if all the mineral interest is
6 common under the lease?

7 A. I believe it is. In fact, I can find that
8 out for you for sure, but I believe it is.

9 Q. You mentioned that while you were at the
10 allowable hearing this morning, you said that -- well,
11 let me ask you this: if the allowables in the pool
12 are adjusted as proposed this morning, what effect
13 would it have on your proposal here?

14 A. We would not be here. We would like the
15 application dismissed if allowables are increased. We
16 don't feel that there's a need for this type of
17 application if allowables were increased as we
18 proposed.

19 Q. If the allowables are increased as
20 proposed, what do you want to do with the application?

21 A. Dismiss it.

22 Q. That would be only if the allowables were
23 increased to the point that you requested, 18 --

24 A. Exactly, because our No. 1 well is capable
25 of producing what we propose.

CROSS-EXAMINATION

1
2 BY MR. STOVALL:

3 Q. Mr. Hart, let me ask you a follow-up on
4 that matter. Texaco had proposed an 18 million a day
5 factor for an acreage factor of one, and, in fact,
6 what you would be doing is doubling his acreage factor
7 on these wells if that proration unit -- if your
8 application in this case is granted; is that not
9 correct?

10 A. That is correct.

11 Q. And so you could accept an approval of this
12 application and continue to operate even if the
13 allowables are increased; is that correct?

14 A. Yes, sir, we could, but there would really
15 be no need for this application if allowables were at
16 a level of 18 million cubic feet per month.

17 Q. Are you aware that the allowables are set
18 each month, and they would not be set based upon
19 today's hearing for the rest of the year as was
20 requested by Texaco this morning?

21 A. Yes, sir.

22 Q. So if the allowables were increased this
23 month to the 18 million level, that's no assurance
24 that next month they'll be at the same level?

25 A. And that's why we proposed that these

1 administrative adjustments be continued for a one-year
2 period in the gas proration unit.

3 Q. It is conceivable, and I am not speaking in
4 terms of what will happen but rather in terms of
5 possibilities so that you understand this application
6 and the impact on this application, that the Division
7 may decide that during the shoulder months or low
8 volume months that it's unwilling to continue the
9 allowable in this pool at the level requested by
10 Texaco, assuming it does set that level initially
11 during the high demand months.

12 With that in mind, are you still of the
13 opinion that if the allowable is raised for the month
14 of January, that you wish to dismiss this application
15 at that time, or would you like to have this
16 application stick?

17 I guess what I'm getting at is you are kind
18 of putting yourself in a position where a condition
19 which you have set up for dismissal may, in fact, not
20 continue to exist on a long-term basis?

21 A. If that were the case, then we would like
22 to continue with this application. If there's a
23 chance that allowables will decrease in the future
24 based on administrative adjustments or whatever from
25 the Division, we feel that this application is

1 necessary.

2 Q. Let's clarify the record then. Do you want
3 us to dismiss this application if the allowables are
4 raised to 18 million a day for an acreage factor of
5 one in January, knowing that you have no assurance
6 that that will continue in February, March, etc.,
7 throughout the year?

8 A. If that's the case, we do not want this
9 application dismissed.

10 Q. Is it safe to say then that you will at
11 this point withdraw your request for dismissal,
12 because we are not making any assurance at this point
13 on future allowables?

14 A. Okay, yes, sir.

15 MR. CARR: If this was dismissed, and the
16 allowable adjustment was changed in March, I'm sure
17 you'll be seeing us in April with the same
18 application. And so for that reason, it would be
19 appropriate to go ahead and enter an order in this
20 case, if you deem fit, because it would avoid that
21 possibility of having to come back.

22 MR. STOVALL: Yes. It appears to me that
23 we would be creating a rather administrative
24 nightmare, whereas if this application is granted,
25 regardless of what the allowable is set for the pool,

1 you could benefit from the allowable whether you're on
2 160 or 320 in this application.

3 THE WITNESS: Yes, sir, you're correct.

4 FURTHER EXAMINATION

5 BY HEARING EXAMINER:

6 Q. Mr. Hart, have you been in contact with
7 Amerada Hess at all?

8 A. I have not contacted them personally.

9 Q. They were notified of the application?

10 MR. CARR: Yes, they were.

11 HEARING EXAMINER: To your knowledge, they
12 have no objection, or they haven't expressed any
13 objection?

14 MR. CARR: They have not expressed an
15 objection.

16 HEARING EXAMINER: That's all the questions
17 I have of the witness at this time.

18 MR. CARR: We have nothing further, Mr.
19 Examiner.

20 HEARING EXAMINER: There being nothing
21 further, Case 9834 will be taken under advisement.

22

23

24

25

CERTIFICATE OF REPORTER

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

I, Freda Simmons Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL February 18, 1989.

FREDA SIMMONS

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9834, heard by me on December 12 1989.

David R. Catamuk, Examiner
Oil Conservation Division