

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 10,004, CASE 9980, CASE 9981

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Operating Limited Partnership  
for Compulsory Pooling, San Juan County, New  
Mexico

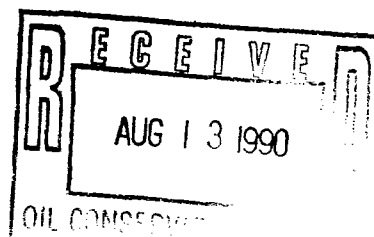
TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 11, 1990



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

FOR THE APPLICANT:

MILLER, STRATVERT, TORGERSON & SCHLENKER, P.A.  
Attorneys at Law  
By: J. SCOTT HALL  
125 Lincoln Avenue  
Suite 303  
Santa Fe, New Mexico 87501

FOR AMOCO PRODUCTION COMPANY:

CAMPBELL & BLACK, P.A.  
Attorneys at Law  
By: WILLIAM F. CARR  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208

ALSO PRESENT:

JAMES MORROW  
Chief Engineer  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87504

\* \* \*

## I N D E X

## Page Number

Appearances

2

Exhibits

4

MARK W. SEALE

Direct Examination by Mr. Hall

6

Examination by Examiner Stogner

9

STEWART SAMPSON

Direct Examination by Mr. Hall

11

THOMAS L. HAHN

Direct Examination by Mr. Hall

13

Examination by Examiner Stogner

17

Certificate of Reporter

21

\* \* \*

## E X H I B I T S

## APPLICANT'S EXHIBITS:

Exhibit 1	6
Exhibit 2	7
Exhibit 3	8
Exhibit 4	11
Exhibit 5	11
Exhibit 6	12
Exhibit 7	14
Exhibit 8	16

\* \* \*

1           WHEREUPON, the following proceedings were had  
2           at 12:20 p.m.:

3           EXAMINER STOGNER: Call next case, Numbers  
4           10,004, 9980 and 9981, which are all the Application of  
5           Mesa Operating Limited Partnership for compulsory  
6           pooling, San Juan County, New Mexico.

7           I'll call for appearances.

8           MR. HALL: Mr. Examiner, Scott Hall from the  
9           Miller, Stratvert, Torgerson and Schlenker law firm,  
10          with three witnesses.

11          MR. CARR: May it please the Examiner, my  
12          name is William F. Carr with the law firm Campbell and  
13          Black, P.A., of Santa Fe. I represent Amoco Production  
14          Company. I do not intend to call a witness.

15          EXAMINER STOGNER: Mr. Hall, is your  
16          witnesses the same ones that have presented in the  
17          previous case?

18          MR. HALL: Yes, Mr. Examiner. We would ask  
19          that all three witnesses' credentials be stipulated to  
20          on the basis of previous testimony today.

21          EXAMINER STOGNER: Thank you, Mr. Hall. Let  
22          the record so show, and also let the record show that  
23          these witnesses have been previously sworn.

24          Mr. Hall?

25          MR. HALL: First call Mark Seale.

1                                   MARK W. SEALE,

2       the witness herein, after having been first duly sworn  
3       upon his oath, was examined and testified as follows:

4                                   DIRECT EXAMINATION

5       BY MR. HALL:

6               Q.    Mr. Seale, if you would, briefly state what  
7       it is Mesa is seeking, each of the three Applications,  
8       and then summarize the exhibits you've prepared for the  
9       hearings today.

10            A.    In each of these cases we are seeking an  
11       order pooling all mineral owners in the Basin Fruitland  
12       coal gas pool underlying the spacing units for each of  
13       these wells.

14            Q.    All right.

15            A.    Exhibit 1 is a plat in each of these cases  
16       depicting the drill-site section for each of these  
17       wells. The 320-acre spacing unit is identified, and  
18       I'll take each of these cases one by one and describe  
19       the wells.

20                    Case 10,004, Mesa's proposed well is named  
21       the FC State Com. Number 8. It is located 2040 feet  
22       from the south line, 1220 feet from the west line of  
23       Section 32, Township 29 North, Range 8 West.

24                    Case Number 9980, the proposed well is named  
25       the FC State Com. Number 10. It is located 1620 feet

1 from the north line, 790 feet from the east line of  
2 Section 29 North, Range 8 West.

3 In Case Number 9981, Mesa's proposed well is  
4 named the FC State Com. Number 9. It is located 915  
5 feet from the south line, 835 feet from the west line  
6 of Section 36, Township 29 North, Range 8 West.

7 Page 2 of Exhibit 1 in each case sets forth  
8 the working-interest owners and their percentages which  
9 have committed their interests to the wells, and those  
10 parties which Mesa is seeking to pool.

11 In Case 10,004, 87-1/2 percent of the working  
12 interest is committed to the well. Mesa is seeking to  
13 pool Amoco Production Company with 6-1/4 percent and  
14 Conoco with 6-1/4 percent.

15 In Case 9980, 75 percent of the working  
16 interest is committed. Mesa is looking to pool El Paso  
17 Production Company with 25 percent.

18 And in case 9981, 87-1/2 percent of the  
19 working interest is committed, and Mesa is looking to  
20 pool El Paso with 12-1/2 percent.

21 Exhibit Number 2 are the letters by which  
22 Mesa officially proposed these wells to partners. When  
23 the letters were sent to the partners, the partners  
24 received Mesa's operating agreement which we proposed  
25 govern operations for the drilling of each of these

1 wells, and an AFE cost estimate.

2 The AFE cost estimate is attached as Exhibit  
3 3.

4 Q. Would you briefly summarize your efforts to  
5 obtain the voluntary joinder of the parties you're  
6 seeking to pool today?

7 A. Yes, in addition to officially proposing with  
8 the letters set forth in Exhibit 2, we've had numerous  
9 telephone conversations with each of the parties, and  
10 as of this hearing none of the parties have officially  
11 committed their interest to these wells in writing.

12 Q. In your opinion, have you made a good-faith  
13 effort to obtain the voluntary joinder --

14 A. Yes, we have.

15 Q. -- in each case?

16 Mr. Seale, in your opinion will the granting  
17 of these three applications be in the interest of  
18 conservation, the prevention of waste and protection of  
19 correlative rights?

20 A. Yes, it will.

21 Q. And were Exhibits 1, 2 and 3 prepared by you  
22 or at your direction?

23 A. Yes.

24 MR. HALL: That concludes our direct of this  
25 witness. We would move the admission of Exhibits 1, 2



1 and 3 in each of the three cases.

2 EXAMINER STOGNER: Are there any objections?

3 Exhibits 1, 2 and 3 will be admitted into  
4 evidence at this time.

5 Mr. Hall, I believe we have a little  
6 housekeeping here on Case Number 9980; is that correct?

7 MR. HALL: Yes, Mr. Examiner. It appears to  
8 be an erroneous description in the advertisement. The  
9 actual section is Section 16. The footage location  
10 description in the ad shows in addition to Section 16 a  
11 Section 36 description.

12 The well name is also the FC State Com. Well  
13 Number 10, as opposed to the FC State Com. Well Number  
14 11, as shown.

15 EXAMINER STOGNER: Thank you, Mr. Hall. And  
16 that should be the FC State Well Number 10.

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. Now, has this well been drilled? Or has any  
20 of these three wells been drilled?

21 A. No.

22 EXAMINER STOGNER: No, okay.

23 MR. HALL: It's an additional --

24 EXAMINER STOGNER: I noticed that. The well  
25 referenced in the Case 9980 in the advertisement was

1 the FC State Well Number 11, which is in Section 36 of  
2 that township, which is a correct footage for that,  
3 which is definitely an advertising error on the  
4 Division's part.

5 This will need to be readvertised, and the  
6 quickest we can have it readvertised will be at the  
7 August 8th hearing, and there will probably be no need  
8 of either party to show up for any additional  
9 testimony.

10 So at this point we will go ahead and hear  
11 your case, take the other two under advisement,  
12 assuming that those two cases -- everything is adequate  
13 on those two cases -- and we'll continue this one.

14 Are there any questions of this witness?

15 MR. CARR: (Shakes head)

16 EXAMINER STOGNER: If not, you may be  
17 excused.

18 Mr. Hall?

19 MR. HALL: We need to move the admission of  
20 Exhibits 1, 2 and 3, if I haven't already.

21 EXAMINER STOGNER: You have, and we admitted  
22 them.

23 MR. HALL: All right. At this time we call  
24 Stewart Sampson.

25

1                    STEWART SAMPSON,

2       the witness herein, after having been first duly sworn  
3       upon his oath, was examined and testified as follows:

4                    DIRECT EXAMINATION

5       BY MR. HALL:

6                Q.     Mr. Sampson, you prepared certain exhibits in  
7       conjunction with your testimony. Why don't you  
8       identify those and explain those to the hearing  
9       Examiner?

10              A.     In each case, Exhibit 4 is a coal isopach for  
11     the San Juan Basin showing the location of the wells in  
12     question.

13                    These cases were consolidated by virtue of  
14     the fact that all three wells are in the same township  
15     and therefore have essentially similar types of  
16     geologic conditions.

17                    We expect to encounter attractive thicknesses  
18     of coal in this area. As Exhibit 4 shows, we're very  
19     near the thickest trend of coal in the Basin.

20                    Exhibit 5 in each case is a bottomhole  
21     pressure map for the Fruitland coal formation, and once  
22     again showing the location of the wells.

23                    We expect to encounter in the range of 1000  
24     pounds bottomhole pressure in this area, which should  
25     also be attractive.

1           Exhibit 6 in each case is a detailed map of  
2           the area around the wells in question, showing the  
3           location of that well and all offset Fruitland coal  
4           completions.

5           In each case we do have sufficient offset  
6           control to indicate that a 156-percent penalty or a  
7           standard-type penalty would be adequate in this case --  
8           in all three cases.

9           Q.   Even though it appears that you'll encounter  
10          the coal, does the geology still present some sort of  
11          risk that the wells will not be economic?

12          A.   Yes, there is some risk.

13          Q.   And what is the basis of that risk?

14          A.   Again, the possibility or the risk of  
15          encountering sufficient permeability fracturing to  
16          establish economic production.

17          Q.   Do you have anything further you wish to add  
18          with respect to these three exhibits?

19          A.   No, sir.

20          Q.   Were Exhibits 4, 5 and 6 in each of the cases  
21          prepared by you or at your direction?

22          A.   Yes, they were.

23          Q.   We would move the admission of Exhibits 4, 5  
24          and 6 in each case, and that concludes our direct of  
25          this witness.

1 EXAMINER STOGNER: Exhibits 4, 5 and 6 in  
2 each of the three cases will be admitted into evidence.

3 Are there any questions of this witness?

4 MR. CARR: No questions.

5 EXAMINER STOGNER: If not, you may be  
6 excused.

7 Mr. Hall?

8 MR. HALL: At this time we'll call Tom Hahn.

9 THOMAS L. HAHN,

10 the witness herein, after having been first duly sworn  
11 upon his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. HALL:

14 Q. Mr. Hahn, let's review Exhibit 3 in each of  
15 the cases, which is the AFE.

16 A. All right. Exhibit 3 in Case Number 9980 is  
17 a detailed AFE cost estimate for drilling and  
18 completing the FC State Com. Number 10. The total cost  
19 is estimated at \$398,200 for this well. This is the  
20 cost to drill, case, perforate and stimulate the FC  
21 State Com. 10.

22 In Case Number 9981, Exhibit Number 3, we  
23 have the AFE cost estimate for drilling, casing,  
24 perforating and frac'ing the FC State Com. Number 9.  
25 The estimated cost for this well is \$385,500.

1           In Case Number 10,004, Exhibit Number 3 is  
2           the AFE cost estimate for drilling, casing, perforating  
3           and completing the FC State Com. Number 8. This cost is  
4           estimated at \$372,300.

5           Q.   And Mesa has drilled or participated in other  
6           Fruitland wells in the area, have they not?

7           A.   Yes, they have.

8           Q.   And do these costs appear to be in line with  
9           what's being charged in the area?

10          A.   Yes, they are.

11          Q.   What is Mesa's overhead in administrative  
12          charges for these wells?

13          A.   The drilling overhead is \$3831 per month.  
14          The production overhead is \$382 per month.

15          Q.   And that's for each of the three wells?

16          A.   For each of the three wells.

17          Q.   And are you recommending that those charges  
18          be included in any Orders that result from these  
19          hearings?

20          A.   Yes, I am.

21          Q.   Let's look at Exhibit 7 in each of the cases.  
22          If you'd identify those exhibits and explain them.

23          A.   I'll take each case by itself.

24                   Case Number 9980, Exhibit 7 is the offset  
25          production detail for those Fruitland wells shown in

1 Exhibit 6 in this case.

2 In this particular case, there are several  
3 completed wells. We can look at the production and the  
4 surface shut-in pressure information. It indicates  
5 that operators may make commercially economic wells in  
6 the area. The rates are not extremely attractive, but  
7 we believe we can make an economic well if we make at  
8 least 100 MCF per day.

9 In Case Number 10,004, Exhibit 7 is the  
10 offset production detail for completed Fruitland wells,  
11 offsetting our proposed FC State Com. Number 8. There  
12 are four completed Fruitland coal wells that we're  
13 showing. The production is fairly attractive: 192 MCF  
14 per day on one well, 120 MCF per day on the other well.  
15 And the shut-in pressures appear to be normal for this  
16 area.

17 In Case Number 9981, Exhibit 7 is the  
18 offsetting production detail for the FC State Com.  
19 Number 9. There are five offset wells that we  
20 identified. The rates, once again, in this area are  
21 marginal. We need at least 100 MCF per day from our  
22 well to make an economic venture.

23 Q. So the information contained in the  
24 production detail exhibit for each case indicates there  
25 is some risk that the wells may not be economic?

1           A.    Yes, based on the information that we're  
2   seeing from the offset wells, we will have to make as  
3   good or better a well than the other operators in the  
4   area.

5                    So there is some risk associated with this,  
6   in addition to the risk of inherently drilling and  
7   completing a Fruitland coal well in the San Juan Basin.

8           Q.    All right. Do you concur in the request for  
9   a 156-percent risk penalty against the nonconsenting  
10   interests?

11           A.    In these three cases I do.

12           Q.    Anything further you wish to add with respect  
13   to the risk?

14           A.    No.

15           Q.    Was Exhibit 7 prepared by you or at your  
16   direction?

17           A.    Yes, it was.

18           Q.    And in your opinion, Mr. Hahn, will granting  
19   the Applications be in the interests of conservation,  
20   the prevention of waste and protection of correlative  
21   rights?

22           A.    Yes.

23                    MR. HALL: That concludes our direct of this  
24   witness. We would move the admission of Exhibit 7 and  
25   also Exhibit 8, which is counsel's affidavit pursuant



1 to Rule 1207.

2 EXAMINER STOGNER: Exhibits 7 and 8 will be  
3 admitted into evidence at this time.

4 MR. HALL: We have nothing further in the  
5 case.

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. Mr. Hahn, on Exhibit 3 on each of these  
9 cases, I was doing some comparison and you have core  
10 and related service charges, item 210 on each of them.  
11 And one, in Case Number 9980, is \$10,000 more than the  
12 other two. Would you go into a little bit more detail  
13 on this?

14 A. Item number 210?

15 Q. Yes.

16 A. Okay, I'm not showing any costs on item 210.

17 Q. Okay, I'm sorry, 205. I'm sorry, well-  
18 stimulation services.

19 A. Oh, okay, well stimulation services.

20 Q. Had my eyes crossed.

21 A. Sure. The differences in the well-  
22 stimulation cost, basically -- It's based on the net  
23 coal thickness that we expect to encounter in the  
24 different wells. Kind of a rule of thumb we've been  
25 going with is about 5000 pounds of proppant per net

1 foot of coal.

2 And based on a geologic prognosis before we  
3 drill the well, we have an estimated coal thickness.  
4 So the AFE's were built based on that.

5 EXAMINER STOGNER: Okay, are there any other  
6 questions of this witness?

7 MR. MORROW: I didn't tie that in with  
8 thickness. What is the total size of the frac job that  
9 you propose here?

10 THE WITNESS: It varies, of course, based on  
11 the thickness. When the AFE cost estimates were built,  
12 all of the stimulation estimates were based on a three-  
13 stage frac.

14 We haven't actually done any three-stage  
15 fracs yet, but if we estimate we're going to encounter  
16 50 foot of coal, then we would expect to pump, you  
17 know, 250,000 pounds of sand. And then the cost  
18 estimate is based on that volume of sand and the other  
19 related fluid costs that we'll have with that.

20 MR. MORROW: I had a question about the well  
21 spots on Exhibit 1, what the completions were. What do  
22 those represent? Those on the proration unit where you  
23 propose to drill, there's several well spots there  
24 indicating some kind of completion.

25 THE WITNESS: In like Case 9980, for example?

1 MR. MORROW: Yes, that would be fine.  
2 There's, I guess, four other locations shown there.

3 THE WITNESS: Okay. All of the other  
4 locations that you're seeing are wells that are  
5 completed in a reservoir other than the Fruitland Coal,  
6 Mesa Verde, Pictured Cliffs, Dakota, some of the other  
7 formations.

8 MR. MORROW: Is that above the Fruitland  
9 Coal?

10 THE WITNESS: No, they're all deeper than the  
11 Fruitland Coal. The Fruitland Coal is the shallowest.

12 MR. MORROW: So you can get some idea, I  
13 guess, from the log of the coal thickness, or can you?

14 THE WITNESS: Yes, that's -- We have real  
15 good control on the coal thickness, because all of the  
16 wells that have been drilled in the Basin have  
17 penetrated the Fruitland Coal.

18 EXAMINER STOGNER: That sometimes represents  
19 the 156 percent; is that right, Mr. Hall?

20 MR. HALL: Only sometimes.

21 EXAMINER STOGNER: Sometimes.

22 Are there any other questions of this  
23 witness?

24 MR. HALL: No, sir.

25 EXAMINER STOGNER: If not, you may be

1       excused.

2                   Mr. Hall, do you have anything further? Or  
3       does anybody have anything further in any of these  
4       three cases?

5                   If not, Case Numbers 10,004 and 9981 will be  
6       taken under advisement at this time. Case Number 9980  
7       will be continued and readvertised for the August 8th,  
8       1990, hearing, and I apologize to Mr. Hall for the  
9       advertisement error.

10                   (Thereupon, these proceedings were concluded  
11       at 12:41 p.m.)

12                                   \* \* \*

13

14

15

16

17

18

19

20

21

22

23

24

25

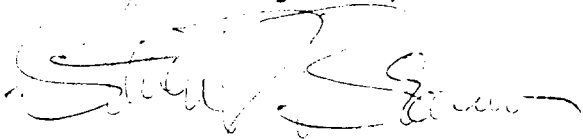
## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) SS.  
5 COUNTY OF SANTA FE )

6 I, Steven T. Brenner, Certified Shorthand  
7 Reporter and Notary Public, HEREBY CERTIFY that the  
8 foregoing transcript of proceedings before the Oil  
9 Conservation Division was reported by me; that I  
10 transcribed my notes; and that the foregoing is a true  
11 and accurate record of the proceedings.

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

16 WITNESS MY HAND AND SEAL August 6, 1990.

17   
18 STEVEN T. BRENNER  
19 CSR No. 106

20 My commission expires: October 14, 1990

21  
22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
the Examiner hearing of Case Nos. 10,004, 9980, 9981  
24 heard by me on July 11 1989.

25   
\_\_\_\_\_, Examiner  
Oil Conservation Division