

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
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6 EXAMINER HEARING
7

8 IN THE MATTER OF:
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10 Application of Mesa Operating Case 10076
11 Limited Partnership for compulsory
12 pooling, San Juan County, New Mexico.
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16 TRANSCRIPT OF PROCEEDINGS
17

18 BEFORE: DAVID R. CATANACH, EXAMINER
19
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21 STATE LAND OFFICE BUILDING
22 SANTA FE, NEW MEXICO
23 September 19, 1990
24

25 **ORIGINAL**

CUMBRE COURT REPORTING
(505)984-2244

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A P P E A R A N C E S

OCD CHIEF ENGINEER: JIM MORROW
Chief Engineer to the Division
State Land Office Building
Santa Fe, New Mexico 87501

FOR THE APPLICANT: J. SCOTT HALL
MILLER, STRATVERT, TROGERSON
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Santa Fe, New Mexico 87501

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1 P R O C E E D I N G S

2 HEARING EXAMINER: Okay. At this time we'll call
3 Case 10076, application of Mesa Operating Limited Partnership
4 for compulsory pooling, San Juan County, New Mexico.

5 Are there appearances in this case?

6 MR. HALL: Mr. Examiner, Scott Hall from the Miller,
7 Stratvert, Torgerson & Schlenker law firm of Santa Fe for the
8 applicant Mesa with three witnesses this morning.

9 HEARING EXAMINER: Any other appearances?

10 Will the witnesses please stand to be sworn in.

11 EDWARD L. HANK WOOD,
12 the witness herein, after having been first duly sworn upon his
13 oath, was examined and testified as follows:

14 EXAMINATION

15 BY MR. HALL:

16 Q. For the record, please state your name and place of
17 residence.

18 A. My name is Edward L. Hank Wood. I live at 6006
19 Norwich, Amarillo, Texas.

20 Q. Who do you work for, Mr. Wood?

21 A. I am employed by Mesa Operating Limited partnership
22 in Amarillo.

23 Q. What do you do for them?

24 A. I am a landman.

25 Q. I believe you have not testified before the New

1 Mexico OCD before. Would you please give the Hearing Examiner
2 a brief summary of your educational background and work
3 experience.

4 A. I graduated 1974 from New Mexico State University
5 with a business degree. I went to work January of 1975 for El
6 Paso Natural Gas Company in El Paso. And was transferred in
7 '77 to Amarillo with El Paso. I went to work for Pioneer
8 Production Corporation in 1980 in Denver. Worked with them for
9 five years before the merger of Pioneer and Mesa in 1985. I
10 handled Anadarko Basin Rocky Mountain regions for both
11 companies. Now currently work for Mesa in Amarillo.

12 Q. You are familiar with the subject well and lands?

13 A. I am.

14 MR. HALL: We tender Mr. Wood as a qualified expert
15 petroleum landman.

16 HEARING EXAMINER: He is so qualified.

17 (Thereupon, Exhibit 1 was
18 marked for identification.)

19 Q. (BY MR. HALL) Mr. Wood, let's look at some of the
20 exhibits we prepared for the hearing. Would you explain what
21 Exhibit 1 consists of and what it's intended to reflect.

22 A. Exhibit 1 is a land plat. It shows our proposed
23 proration unit for our proposed test as the west half of
24 Section 16, 29 North, 8 West in San Juan County, New Mexico.
25 It designates our proposed well location. It shows the

1 ownership of the proration unit indicating the working interest
2 owners. And it shows the various tracts where the working
3 interest owners interest is derived.

4 Q. And the footage location is reflected on the face
5 page of Exhibit 1, is it not?

6 A. That's correct.

7 Q. Let's look at page two. What's that show?

8 A. Page two shows the breakdown of the working interest
9 owners both committed and noncommitted to the drilling of this
10 proposed test.

11 Q. For the record state the identity of each of the
12 interest owners you are seeking to pool and their ownership
13 percentages.

14 A. The pooled parties are Conoco, Inc. 18.75 percent,
15 Mizel Resources 1.4 percent, North Timbers Ltd. Partnership .97
16 percent, East Timbers Ltd. Partnership .33 percent, West
17 Timbers Ltd. Partnership .15 percent.

18 (Thereupon, Exhibit 2 was
19 marked for identification.)

20 Q. All right. Let's look at Exhibit 2, please, sir.
21 What does Exhibit 2 consist of?

22 A. Exhibit 2 is a certified, copy of a certified letter
23 mailed by Mesa dated August 3rd, 1990, which proposes the
24 drilling of the test which we're hearing at the time. It sets
25 out the footage location, the estimated depth of 3,310 feet,

1 and the proposed formation is of Fruitland Coal, and sends with
2 it appropriate exhibits.

3 Q. All right. It transmits the JOA and AFE, does it
4 not?

5 A. That's correct.

6 Q. And this was sent to each of the interest owners
7 listed on page two?

8 A. That's correct.

9 Q. All right. Would you please briefly summarize the
10 efforts that you undertook to secure the voluntary joinder of
11 the parties you are seeking pooling from today.

12 A. The letter was mailed out on August 3rd, followed up
13 with phone calls to each working interest owner to inform them
14 of the necessity, the urgency to receive a response from them,
15 numerous times in each case. And of course then they were sent
16 copies of the pooling notice.

17 Q. All right. Did you have any response at all from
18 any of these parties?

19 A. Yes, we have.

20 Q. What was the nature of that response?

21 A. Well, from the parties shown on Exhibit 2 we've had
22 a number of them that have agreed to participate. The
23 pooled -- the parties that we're attempting to pool at this
24 time have not been able to respond to us at this time.

25 Q. You've had no communication whatsoever?

1 A. That's right.

2 Q. In your opinion, Mr. Wood, have you made a good
3 faith effort to seek the voluntary joinder of those interest
4 owners you are seeking to pool?

5 A. We have, we have.

6 Q. And in your opinion will granting the application be
7 in the interest of conservation and the prevention of waste and
8 protection of correlative rights?

9 A. Yes, it would.

10 Q. Were Exhibits 1 and 2 prepared by you or at your
11 direction?

12 A. They were.

13 MR. HALL: We'd move the admission of Exhibits 1 and
14 2 at this time. We have nothing further of this witness.

15 HEARING EXAMINER: Exhibits 1 and 2 will be admitted
16 as evidence.

17 I don't believe I have any questions of the witness.
18 He may be excused.

19 STEWART SAMSON,
20 the witness herein, after having been first duly sworn upon his
21 oath, was examined and testified as follows:

22 EXAMINATION

23 BY MR. HALL:

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

1 A. Stewart Samson in Amarillo, Texas.

2 Q. And who do you work for and in what capacity?

3 A. For Mesa Limited Partnership as supervisor of
4 geophysics.

5 Q. Mr. Samson, you previously testified before the New
6 Mexico division in the Fruitland pooling cases and had your
7 credentials made a matter of record; is that correct?

8 A. That's correct.

9 (Thereupon, Exhibits 3 - 5
10 were marked for identification.)

11 Q. All right. Let's look at Exhibits 3, 4, and 5. If
12 you would, please, explain those to the Examiner.

13 A. Exhibit 3 is a basin-wide isopach of the entire
14 Fruitland Coal section showing the location of the proposed
15 well, the FC State Com No. 27. As you can see, the well is
16 located very nearly the maximum thickness trend throughout the
17 basin. This map is a industrywide-accepted map of the coal in
18 the basin. We do feel like we will encounter somewhat less
19 than the 60 feet indicated here, but we do feel like we'll have
20 sufficient thickness to make a well.

21 Exhibit 4 is another critical parameter for the
22 establishment of coal production. This is a bottomhole
23 pressure map. Also generally released to the industry as a
24 whole. And we expect to encounter sufficient pressure to make
25 an economic well.

1 And the last exhibit that I was to talk about here
2 is Exhibit 5, comes in a little closer to the location of our
3 well and shows the location of our well as an open circle in
4 Section 16. The solid red circles surrounding this area show
5 where all Fruitland Coal completions to date reported by
6 Dwight's are. And indicates that although the entire proration
7 unit pattern is not full at this time, we do have a substantial
8 amount of offset information.

9 Q. All right. Now, although you testified that you
10 expect to make an economic well, does there exist a risk that
11 you may not?

12 A. Yes, there is.

13 Q. What's the basis of that risk?

14 A. The biggest risk here, of course, is not
15 encountering sufficient coal. We do feel like we'll do that.
16 But there is a risk in encountering permeability which would be
17 high enough to establish economic rates.

18 The wells in the area do have a substantial variance
19 in productive characteristics which Mr. Hahn will talk about.
20 So we do feel like there is a local variation in permeability
21 due to fracture intensity.

22 Q. What risk penalty is Mesa seeking for this well?

23 A. We would like the 256 percent penalty, which is
24 customary.

25 Q. All right. Were Exhibits 3, 4, and 5 prepared by

1 you or at your direction?

2 A. Yes, they were.

3 Q. In your opinion will granting this application be in
4 the interest of conservation and prevention of waste and
5 protection of correlative rights?

6 A. Yes, it will.

7 MR. HALL: We'd move the admission of Exhibits 3, 4,
8 and 5, and that concludes our direct of this witness.

9 HEARING EXAMINER: Exhibits 3 through 5 will be
10 admitted into evidence.

11 I have no questions of the witness.

12 THOMAS HAHN,
13 the witness herein, after having been first duly sworn upon his
14 oath, was examined and testified as follows:

15 EXAMINATION

16 BY MR. HALL:

17 Q. For the record please state your name.

18 A. My name is Thomas Hahn.

19 Q. And Mr. Hahn, where do you live, by whom are you
20 employed, and in what capacity?

21 A. I live in Amarillo, Texas. I work for Mesa
22 Operating Limited Partnership as a reservoir engineer.

23 Q. And you've previously testified before the division
24 or one of its examiners and had your credentials made a matter
25 of record; is that correct?

1 A. Yes, I have.

2 Q. You prepared certain exhibits in connection with
3 your testimony today?

4 A. Yes.

5 Q. Let's first look at Exhibit 2, the AFE. If you
6 could review the costs on that exhibit, please, sir.

7 A. Exhibit 2 is an AFE cost estimate for drilling
8 casing and completing the FC State Com No. 27. As shown on the
9 AFE cost estimate, Mesa estimates the total cost of this well
10 to be \$362,500.

11 Q. Are those costs in line with what's being charged
12 for other like wells in the area?

13 A. Yes, they are, for cased and frac'd wells.

14 Q. Mesa has drilled other Fruitland wells in the
15 immediate vicinity, has it not?

16 A. Yes, we have.

17 Q. Have you made an estimate of the overhead and
18 administrative costs while drilling an operating well?

19 A. Yes, we have.

20 Q. What are they?

21 A. While drilling the well is overhead cost is \$3,831
22 per month. While producing the well the cost is \$382 per
23 month.

24 Q. And those costs are also in line with what's being
25 charged in the area, are they not?

1 A. Yes, they are.

2 Q. You are recommending those figures be made a part of
3 any order that results from this hearing?

4 A. Yes.

5 (Thereupon, Exhibit 6 was
6 marked for identification.)

7 Q. Let's look at Exhibit 6 briefly. If you would
8 explain that to the Examiner.

9 A. Exhibit 6 shows offset production detail for wells
10 that are -- that have been drilled, completed, and may be
11 producing offsetting FC State Com No. 27. Two important items
12 on this exhibit are the surface shut-in pressure and the
13 current production rate from these offset wells.

14 The surface shut-in pressure information is intended
15 to show basically what some of the pressure is in the area. In
16 some areas in the basin higher pressures to do indicate higher
17 deliverability wells. The pressures we're seeing here indicate
18 to us that the wells will probably be lower deliverability and
19 there is risk inherent there.

20 The production information that I am showing is very
21 comparable to the surface information. We're looking at rates
22 on offset wells as low as 70 MCF per day up to 210. So there
23 tends to be quite a bit of variability in the production rates
24 in the offsetting wells. We feel that there is enough
25 variability in the production rates that there is risk

1 associated with drilling a Fruitland Coal well in this section.

2 Q. And you concur in the request for the 156 percent
3 risk penalty?

4 A. 156 plus costs.

5 Q. All right. Do you have anything further you wish to
6 add?

7 A. No.

8 Q. Was Exhibit 6 prepared by you?

9 A. Yes, it was.

10 MR. HALL: Nothing further of this witness.

11 We'd move the admission of Exhibit 6 and Exhibit 7,
12 which is the Rule 1207 notice to pool parties.

13 (Thereupon, Exhibit 7 was
14 marked for identification.)

15 HEARING EXAMINER: Exhibit 6 and 7 will be admitted
16 as evidence in this case.

17 And I have no questions. This witness may be
18 excused.

19 Anything further in this case?

20 MR. HALL: We're done.

21 HEARING EXAMINER: In that case Case 10076 will be
22 taken under advisement.

23 (Thereupon, a lunch recess was taken.)

24 I do hereby certify that the foregoing is
25 a correct and true statement of the proceedings in
the trial of Case No. 10076,
held by the Court on September 19, 1990.

David R. Cumber
Oil Conservation Division
CUMBER COURT REPORTING
(505) 984-2244

1 CERTIFICATE OF REPORTER

2

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

6

7 I, Diane M. Winter, Certified Shorthand Reporter and
 8 Notary Public, HEREBY CERTIFY that the foregoing transcript of
 9 proceedings before the Oil Conservation Division was reported
 10 by me; that I caused my notes to be transcribed under my
 11 personal 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 or
 14 employee of any of the parties or attorneys involved in this
 15 matter and that I have no personal interest in the final
 16 disposition of this matter.

17 WITNESS MY HAND AND SEAL October 1, 1990.

18

Diane M. Winter

19

DIANE M. WINTER
 CSR No. 414

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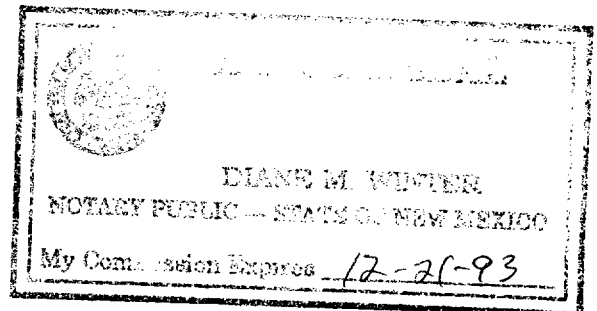
My commission expires: December 21, 1993

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