

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 10105

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EXAMINER HEARING

8

9 IN THE MATTER OF:

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11 Application of Anadarko Petroleum
12 Corporation for Compulsory Pooling,
13 Eddy County, New Mexico.

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TRANSCRIPT OF PROCEEDINGS

18

19 BEFORE: JIM MORROW, EXAMINER

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STATE LAND OFFICE BUILDING

22

SANTA FE, NEW MEXICO

23

October 3, 1990

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ORIGINAL

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A P P E A R A N C E S

FOR THE DIVISION:

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Post Office Box 2088
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FOR THE APPLICANT:

W. THOMAS KELLAHIN, ESQ.
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, N.M. 87504-2265

1 EXAMINER MORROW: Call Case 10105.

2 MR. STOVALL: Application of Anadarko
3 Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 EXAMINER MORROW: Call for appearances.
6 Anybody here for Andarko?

7 MR. KELLAHIN: Mr. Examiner, I'm Tom
8 Kellahin of the Santa Fe Law Firm of Kellahin,
9 Kellahin & Aubrey, appearing on behalf of the
10 applicant, Anadarko.

11 We would request this case be continued to
12 the Examiner hearing for October 17th, I believe it
13 is.

14 EXAMINER MORROW: Case 10105 will be
15 continued until October 17, 1990.

16 (Thereupon, the proceedings concluded.)

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NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date OCTOBER 17, 1990 Time: 9:00 A.M.

| NAME | REPRESENTING | LOCATION |
|-----------------|-------------------------------|-------------|
| Ch. Bob Kendeck | El Paso Natural Gas Co | El Paso, TX |
| Marie Trimmer | Pyram | SF |
| Claude Hamblen | Anadarko Pet. Corp. | Midland TX |
| Bill Morris | BHP | HOUSTON, TX |
| Victor J. Lyon | bas co/mr | Santa Fe |
| Rick Erickson | Anadarko Petroleum | Midland, TX |
| MIKE GOODE | Anadarko Petroleum | Midland TX |
| James Bruce | Hinkle Law Firm | Albuquerque |
| Scott Hall | Seiler Law Firm | SF |
| Ken Howell | BLM | SF |
| Ray Stephens | BLM | SF |
| Jim Burt | MOI | Midland TX |
| Randall Davis | BHP Petroleum (Americas) Inc. | Houston, TX |

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 17, 1990 Time: 9:00 A.M.

| NAME | REPRESENTING | LOCATION |
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11 Application of Anadarko Petroleum Corporation
12 for Compulsory Pooling, Eddy County,
13 New Mexico

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16 TRANSCRIPT OF PROCEEDINGS

17
18 BEFORE: MICHAEL E. STOGNER, EXAMINER

19
20 STATE LAND OFFICE BUILDING
21 SANTA FE, NEW MEXICO
22 October 17, 1990

23
24
25 **ORIGINAL**

A P P E A R A N C E S

FOR THE APPLICANT:

CANDACE HAMANN CALLAHAN, ESQ.
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, N.M. 87504-2265

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| RICHARD A. ERICKSON | |
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1 EXAMINER STOGNER: I'll call the next case,
2 No. 10105, which is the application of Anadarko
3 Petroleum Corporation for compulsory pooling, Eddy
4 County, New Mexico.

5 Call for appearances.

6 MS. CALLAHAN: Mr. Examiner, Candace
7 Callahan of the Santa Fe Law Firm of Kellahin,
8 Kellahin & Aubrey, appearing for Anadarko Petroleum
9 Corporation.

10 EXAMINER STOGNER: Are there any other
11 appearances?

12 MS. CALLAHAN: I have two witnesses to be
13 sworn.

14 EXAMINER STOGNER: Thank you. Will the
15 witnesses please stand to be sworn.

16 You may proceed, Ms. Callahan.

17 MICHAEL R. GOODE

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

20 EXAMINATION

21 BY MS. CALLAHAN:

22 Q. Mr. Goode, would you please state your name
23 and occupation for the record?

24 A. My name is Michael R. Goode, and I am
25 Division Landman for Anadarko Petroleum Corporation in

1 Midland, Texas.

2 Q. Are you familiar with the application of
3 Anadarko Petroleum Corporation to force pool Union
4 Texas in this matter?

5 A. Yes, I am.

6 Q. What, if anything, did you have to do with
7 the preparation of the application? Let me rephrase
8 that.

9 A. Okay.

10 Q. Do you have your exhibits there?

11 A. Yes.

12 Q. I would like to show you what has been
13 marked as Exhibit A in this case.

14 EXAMINER STOGNER: Do you have a copy for
15 me?

16 THE WITNESS: Yes, sir. Let me get down to
17 it.

18 EXAMINER STOGNER: Thank you. You may
19 proceed.

20 Q. Was this exhibit prepared by you or at your
21 direction?

22 A. Yes, it was prepared under my direction.

23 Q. Would you please briefly describe what this
24 exhibit depicts?

25 A. This is a diagram of a proposed

1 communitized area for the Morrow formation under the
2 west half of Section 28 of Township 17 South, Range 30
3 East. It will identify the tracts that would comprise
4 the 320 acres, and it also lists the record title
5 owners and operating rights owners for those tracts.

6 MS. CALLAHAN: Excuse me, Mr. Examiner. I
7 neglected to tender him as an expert witness as a
8 petroleum landman.

9 Q. Would you please tell us your experience
10 prior to working for Anadarko Petroleum Company? Give
11 us a brief description of your employment experience.

12 A. I began working as a landman with Marathon
13 Oil Company in January of 1976. I worked with
14 Marathon Oil Company. I worked with Texas Oil & Gas
15 Corporation from 1977 to 1978, with NAPECO, Inc., from
16 1978 through 1980, and I have been employed with
17 Anadarko Petroleum since December of 1980.

18 MR. BRUCE: Mr. Examiner, I tender Mr.
19 Goode as an expert petroleum landman.

20 EXAMINER STOGNER: Mr. Goode, did you
21 receive any schooling for land work?

22 THE WITNESS: No, sir. I do have a college
23 degree in business from Rice University.

24 EXAMINER STOGNER: Thank you. Mr. Goode is
25 so qualified.

1 MS. CALLAHAN: Thank you.

2 Q. All right. Mr. Goode, the spacing unit for
3 the proposed well is 320 acres?

4 A. 320 acres, comprising of the west half of
5 Section 28.

6 Q. And the well location is--?

7 A. 2030 feet from the north line, and 1830
8 feet from the west line.

9 Q. Mr. Goode, I show you what is marked as
10 Exhibit B. Was this exhibit prepared by you or at
11 your direction?

12 A. Yes, it was.

13 Q. Would you please briefly describe what it
14 depicts?

15 A. This is a tabulation of the working
16 interest owners based on the ownership of operating
17 rights under the west half of Section 28 for rights
18 below 4500 feet. This would be, if everybody
19 participated with their interest in the 320-acre unit
20 to drill a Morrow well, that would be the working
21 interest for each party.

22 Q. Have you contacted all of those working
23 interest owners?

24 A. Yes, we have.

25 Q. When did you contact them?

1 A. We have, by letter of February 14, 1990,
2 and again by letter of May 30, 1990.

3 Q. Did you ask for their joinder in your well
4 that you propose?

5 A. Yes.

6 Q. Did you receive the agreement of all
7 working interest owners to join in this well?

8 A. We have the agreement of all working
9 interest owners with the exception of Union Texas
10 Petroleum Corporation.

11 Q. And they were also notified at the same
12 time?

13 A. Yes.

14 Q. And you included an AFE with those letters?

15 A. Both an AFE and a joint operating agreement
16 for review and signature.

17 Do you want to give that to him as Exhibit
18 C? That's the letters and the AFE.

19 Q. What you have here as Exhibit C is the
20 letter that you prepared for circulation to the
21 working interest owners asking for their joinder in
22 your proposed well in the west half of Section 28?

23 A. Yes, it is.

24 Q. With the attached AFE?

25 A. With the attached AFE.

1 Q. You also have included with Exhibit C a
2 copy of the return receipt card--

3 A. Yes.

4 Q. --to Union Texas Petroleum Corporation?

5 A. Yes.

6 Q. Showing their receipt of this letter on
7 June 4, 1990?

8 A. Yes. That was the receipt of our May 30th
9 letter.

10 Q. Okay. What is the interest of Union Texas
11 Petroleum Corporation in this unit?

12 A. They would have 4.6527 percent based on net
13 acres contributed to the 320-acre unit.

14 Q. That's the working interest?

15 A. That would be working interest.

16 Q. What are the proposed formations for
17 pooling in this unit, the formations you propose to
18 pool? Would you prefer to have Mr. Erickson address
19 that?

20 A. I'd prefer that Mr. Erickson address that.

21 MS. CALLAHAN: All right. Mr. Examiner, I
22 have no further questions of this witness.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. Goode, what kind of response did you

1 get from Union Texas Petroleum Corporation after the
2 February letter?

3 A. We have had several phone conversations;
4 nothing in writing. The response has been because
5 Union Texas is placing the corporation's assets for
6 sale in putting those assets available for review in
7 the data room, they chose not to commit any of their
8 interest to any wells. This decision was made about
9 the time our letter went out.

10 Q. Who in Union Texas gave you this
11 information?

12 A. A landman named Lael Hanning.

13 Q. How do you spell Lael?

14 A. L A E L, H E N N I N G.

15 Q. Was he a landman also with Union Texas?

16 A. She is a landman.

17 Q. She. I'm sorry.

18 A. That is an unusual name.

19 Q. Mr. Goode, are you proposing any overhead
20 charges on this particular well?

21 A. Yes, sir, we are. We are proposing a
22 drilling well rate of \$5,800 per month and a producing
23 well rate of \$500 per month.

24 Q. Are these the same overhead charges that
25 were signed off by the other participants?

1 A. Yes, sir. These have all been agreed to by
2 the other participants in the well.

3 Q. Is this an average figure for wells of this
4 depth in this area?

5 A. This is slightly above the mean as listed
6 in Ernst & Young for 1989, but less than the-- Let me
7 make sure I stated that correctly.

8 It is greater than the median but less than
9 the mean for both the producing well rate and the
10 drilling well rate.

11 Q. And you're referring to the Ernst &
12 Young--what's the publication?

13 A. 1989 Survey of Combined Fixed Rate Overhead
14 Charges for Oil and Gas Producers, published by Ernst
15 & Young. Specifically the region is West Texas and
16 Eastern New Mexico, and these were survey results from
17 1989.

18 Q. For wells of 10,000 to 15,000?

19 A. 10,000 feet, 15,000 foot for gas wells,
20 yes, sir.

21 Q. The AFE attached to Exhibit B, is that the
22 same AFE that was also signed off by the other
23 particular parties and provided to them, also?

24 A. Yes, sir.

25 Q. And this was prepared in May, is that

1 correct?

2 A. Yes, sir, it was prepared May the 18th.

3 Q. Is there an expiration date on this lease?

4 A. No, sir. All of these leases are held by
5 production.

6 Q. Held by production. Okay.

7 EXAMINER STOGNER: I have no other
8 questions of Mr. Goode at this time.

9 Ms. Callahan?

10 MS. CALLAHAN: Mr. Examiner, at this time I
11 would like to offer into evidence Exhibits A, B and
12 C.

13 EXAMINER STOGNER: Thank you. Exhibits A,
14 B and C will be admitted into evidence at this time.

15 RICHARD A. ERICKSON

16 The witness herein, after having been first duly sworn
17 upon his oath, was examined and testified as follows:

18 EXAMINATION

19 BY MS. CALLAHAN:

20 Q. Mr. Erickson, would you please state your
21 full name for the record?

22 A. My name is Richard A. Erickson, and I'm a
23 senior staff geological engineer with Anadarko in
24 Midland.

25 Q. Have you previously testified before the

1 Division--

2 A. Yes.

3 Q. --as an expert? And you were qualified as
4 an expert--

5 A. Yes.

6 Q. --petroleum geologist?

7 A. Um-hm.

8 MS. CALLAHAN: Mr. Examiner, I tender Mr.
9 Erickson as an expert petroleum geologist.

10 EXAMINER STOGNER: Mr. Erickson is so
11 qualified.

12 Q. Mr. Erickson, do you have an opinion of the
13 geologic risk involved in drilling this proposed well?

14 A. Yes. I believe that due to the number of
15 dry holes in the area and the other possibility of
16 drainage, that the risk for this well is high.

17 Q. I show you Exhibit D. Was this exhibit
18 prepared by you or at your direction?

19 A. Yes.

20 Q. Would you briefly describe what it depicts,
21 please?

22 A. This is the structure of the Lower Morrow
23 in this area, with our acreage indicated in red and
24 the proposed well indicated by the red arrow.

25 Basically it just shows a regional

1 southeast dip with a large nose that could be a fault
2 structure also in the area. That's really about all
3 it shows.

4 Q. And the closest Morrow wells are located--

5 A. The closest producer is in the southeast
6 quarter of Section 20, to the northwest. That's the
7 closest producing Morrow well.

8 Q. And what other producing Morrow wells are
9 there?

10 A. There's one in the west half of Section
11 29. The next big Morrow producer is in the northeast
12 quarter of Section 34. There's another producer in
13 Section 20; the other well in Section 20 is a
14 producer.

15 You go up to the well in Section 16 is a
16 producer, the one in the northwest quarter of Section
17 18 is a producer; the one in the south half of Section
18 7 is also a producer.

19 Q. What is the primary objective for your--

20 A. The primary objective in this area is the
21 Morrow, specifically what we call the Lower Morrow, is
22 our major objective.

23 Q. Are there other potential--

24 A. There are some potential zones. The Atoka
25 is productive nearby. There is a possibility of,

1 slight, slight possibility of possible Bone Spring or
2 Abo, maybe, but I doubt that.

3 Q. But it is your intent to force pool all of
4 those zones, is that right?

5 A. Yes, everything below 4500 feet.

6 Q. Would you say the risk is substantially
7 greater for all the zones that you just described,
8 with the exception of the Morrow?

9 A. Oh, yes.

10 Q. I'll show you an exhibit marked as E. Was
11 this exhibit prepared by you or at your direction?

12 A. Yes.

13 Q. Would you briefly describe what this
14 exhibit depicts?

15 A. This exhibits is a net isopach in the Lower
16 Morrow sand. That's our primary objective. The red
17 dots indicate Morrow dry holes in the area, and again
18 our acreage is shown in red with the proposed well
19 indicated by the red arrow.

20 Basically what we're looking for is a very
21 narrow one-sand development in the Lower Morrow. You
22 can see the dry holes are pretty closely spaced to our
23 proposed location, which we feel indicates a
24 relatively high risk.

25 Q. Relatively high risk for the Morrow?

1 A. For the Morrow, yes.

2 Q. I'll show you Exhibit F. Was this exhibit
3 prepared by you or at your direction?

4 A. Yes.

5 Q. Would you please briefly describe what this
6 depicts?

7 A. This is the same area again. The numbers
8 highlighted in yellow are estimated ultimate
9 recoveries for the Morrow wells in the area. You can
10 see the well to the northwest of our location. The
11 well in the southeast quarter of Section 20 is
12 estimated to be a seven and a half Bcf well, so we
13 feel that could possibly have been draining some of
14 the area we'll be testing. That's why our feeling of
15 risk is also a risk of drainage.

16 Q. This well was drilled when?

17 A. I don't know the exact date, but it was in
18 the 1970s.

19 Q. So it would have been draining the area
20 since?

21 A. It's been producing quite some time.

22 Q. In terms of the maximum statutory risk
23 factor penalty of 200 percent to be assessed against
24 any nonconsenting working interest owner and to be
25 recovered out of their share of production, do you

1 have an opinion as to what it should be?

2 A. I believe it should get the maximum, 200
3 percent.

4 Q. In your opinion, would the approval of this
5 application prevent waste and protect correlative
6 rights?

7 A. Yes.

8 MS. CALLAHAN: I offer Exhibits D, E and F
9 into evidence.

10 EXAMINER STOGNER: Exhibits D, E and F will
11 be admitted into evidence at this time.

12 MS. CALLAHAN: I have no further questions
13 of this witness.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. Mr. Erickson, I would like to refer to
17 Exhibit E, your isopach map. Is it my understanding
18 that the well in the west half of Section 29, is that
19 a Morrow producer?

20 A. Yes, it is. It produces out of the upper
21 part of the Morrow. This is an isopach of the lower
22 Morrow only.

23 Q. The logs did show zero--corresponded with
24 your zero figure on well logs, is that correct?

25 A. Yes, that's correct.

1 Q. Okay, Mr. Erickson, you threw me for a loop
2 here. Is there Abo and Bone Spring production in this
3 area?

4 A. The Bone Spring was tested in a well in
5 35. There were some porosity stringers that looked
6 interesting but we got nothing out of it. Those same
7 things could develop in this section. There's no
8 immediate Bone Spring production within, oh, several
9 miles actually.

10 The Abo does produce in an east/west trend
11 near this well, but we're south of its known southern
12 limit. The chance is slim.

13 Q. The Bone Spring, do you know what it's
14 spaced on?

15 A. In some areas I know it's spaced on 40s,
16 and some they've drilled them on 80s.

17 Q. And you wish to include that in the force
18 pooling today?

19 MS. CALLAHAN: We wish to pool all
20 formations beneath the stated depth in the
21 application.

22 EXAMINER STOGNER: Ms. Callahan, the
23 advertisement is today all pools from the top of the
24 Wolfcamp to the base of the Pennsylvanian formation.
25 That's what I understood the application to be, and

1 that's what we advertised. Is this not correct?

2 Oh, I'm sorry.

3 MS. CALLAHAN: I'm sorry.

4 THE WITNESS: We just need it force pooled.

5 EXAMINER STOGNER: Am I interrupting?

6 MS. CALLAHAN: No, you're not.

7 EXAMINER STOGNER: Should I restate my
8 question?

9 MS. CALLAHAN: No, you shouldn't. I should
10 restate our request. Our request is as stated in the
11 application and as advertised.

12 EXAMINER STOGNER: So that would include
13 everything from the top of the Wolfcamp to the base of
14 the Morrow?

15 MS. CALLAHAN: Right.

16 EXAMINER STOGNER: So we can strike or
17 ignore any references to the Abo and the Bone Spring?

18 MS. CALLAHAN: Yes, right.

19 Q. (BY EXAMINER STOGNER) Referring back to
20 Exhibit E, still. As far as the Upper Morrow, did you
21 do an isopach on that?

22 A. Yes, I did. In the area it's very sporadic
23 and the reserves in the Upper Morrow are not near what
24 they are in the Lower Morrow. In the Upper Morrow
25 it's kind of a secondary horizon.

1 Q. And the surrounding wells in 22, in
2 Sections 21, 22 and 27, those tested dry in the
3 Morrow, is that my understanding, the ones that are
4 circled?

5 A. Yes, they did.

6 Q. You're offsetting about as many dry holes
7 as you are producing ones, aren't you?

8 A. Yes.

9 Q. Are there any Wolfcamp producers in this
10 area?

11 A. Not to my knowledge.

12 EXAMINER STOGNER: Okay. I have no other
13 questions of this witness. Are there any other
14 questions of Mr. Erickson? If not, he may be
15 excused.

16 Does anybody else have any other questions
17 of these witnesses? Ms. Callahan, do you have
18 anything further?

19 MS. CALLAHAN: No, I have nothing further.

20 EXAMINER STOGNER: If nobody else has
21 anything further in Case 10105, this case can be taken
22 under advisement at this time.

23 (Thereupon, the proceedings concluded.)

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 October 17, 1990.

18

19

20

Carla Diane Rodriguez
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. 10105.
heard by me on 17 October 19 90.

Michael E. Thomas, Examiner
Oil Conservation Division