

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 10123

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6
7 EXAMINER HEARING

8
9 IN THE MATTER OF:

10
11 Application of Mesa Operating Limited
12 Partnership for Compulsory Pooling,
13 San Juan County, 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

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ORIGINAL

1 A P P E A R A N C E S

2 FOR THE APPLICANT: J. SCOTT HALL, ESQ.
 3 Miller, Stratvert, Torgerson
 4 & Schlenker, P.A.
 125 Lincoln Avenue, Suite 303
 Santa Fe, New Mexico 87501

5 * * * * *

6 I N D E X

7 Page Number

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15 E X H I B I T S

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17	Exhibit 1	3
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1 EXAMINER STOGNER: Call next case, No.
2 10123, which is the application of Mesa Operating
3 Limited Partnership for compulsory pooling, San Juan
4 County.

5 Other than Mesa Operating, call for
6 additional appearances? There being none, Mr. Hall
7 the record will so show that the three witnesses have
8 been previously sworn and had their credentials
9 accepted, and you may continue.

10 EDWARD L. "HANK" WOOD

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

14 EXAMINATION

15 BY MR. HALL:

16 Q. For the record please state your name.

17 A. Edward L. "Hank" Wood.

18 Q. Mr. Wood, let's look at Exhibits 1 and 2,
19 and explain those to the Examiner please, sir?

20 A. Exhibit 1 is a land plat showing Mesa's
21 proposed FC State Com No. 31 well and Mesa's proposed
22 proration unit shown as the east half of Section 36,
23 30 North, 11 West, San Juan County, New Mexico.

24 This plat shows Mesa's proposed well
25 location at 1,660 feet from the north line, 1,805 feet

1 from the east line of said Section 36. It also shows
2 the various working interest parties in this proposed
3 proration unit and the tracts from which their working
4 interest is determined.

5 Page 2 shows the working interest ownership
6 committed and not committed to the unit. Currently
7 Mesa Operating Limited Partnership with 25 percent;
8 Unit Petroleum Company which we have been advised that
9 this interest is now owned by Dugan Production with
10 12.5 percent; Amoco Production Company with 12.5
11 percent; Texaco, Inc., with 12.5 percent and Northwest
12 Pipeline Corporation with 25 percent are committed to
13 the unit.

14 Southland Royalty Company with 12.5 percent
15 has not committed their interest to this unit at this
16 time. The total of this is 87.5 percent committed and
17 12.5 percent currently not committed.

18 Q. Let's look at Exhibit 2.

19 A. Exhibit 2 is Mesa's letter of August 3,
20 1990, proposing this test to the working interest
21 parties showing it as a 2,460 foot Fruitland Coal
22 test. Attached with this letter were Mesa's AFE cost
23 estimate for the drilling and completion of this well
24 and a proposed Joint Operating Agreement to govern
25 operations of the well.

1 Q. Would you please summarize your efforts to
2 obtain voluntary joinder of Southland in this case?

3 A. We visited with Southland a number of times
4 to obtain their joinder, and they are not in a
5 position at this time to commit their interest one way
6 or another.

7 Q. In your opinion have you made a good faith
8 effort to secure Southland's voluntary joinder?

9 A. Yes, sir, I have.

10 Q. Were Exhibits 1 and 2 prepared by you?

11 A. Yes, sir, they were.

12 MR. HALL: We would move their admission,
13 and that concludes our direct of this witness.

14 EXAMINER STOGNER: No questions. Exhibits
15 1 and 2 will be accepted.

16 Mr. Hall.

17 STEWART L. SAMPSON

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

21 EXAMINATION

22 BY MR. HALL:

23 Q. For the record, state your name.

24 A. Stewart Sampson.

25 Q. Mr. Sampson, what risk penalty are you

1 recommending in this case?

2 A. Standard 156 plus cost.

3 Q. Let's look at Exhibits 3, 4 and 5, please,
4 sir.

5 A. Okay. Exhibit 3 is a coal isopach for a
6 Fruitland formation throughout the San Juan Basin with
7 the proposed well designated by the red dot. We
8 anticipate encountering in excess of 20 feet of coal
9 in the entire Fruitland section in this particular
10 location.

11 Exhibit 4 is a bottom-hole-pressure map
12 throughout the basin and, as you can see by the red
13 dot, we would anticipate something on the order of 700
14 pounds bottom-hole pressure. Both of these last
15 factors being sufficient to consider this to be a
16 development well and worthy of the standard 256
17 percent penalty.

18 The last exhibit I have, Exhibit 5, is a
19 detailed map of the area showing the location of our
20 well as an open red circle, and all Fruitland coal
21 completions within a 25-square-mile area surrounding
22 that well. There has not been a great deal of
23 drilling in the area, but we do have some control.
24 The well rates established have not been extremely
25 attractive to date, but we are requesting the standard

1 penalty and Mr. Hoefer will go into some of this
2 production information.

3 Q. Even though you're likely to encounter the
4 coal seam for this well, do you still believe there's
5 a risk that the well will be uneconomic?

6 A. Yes, I do.

7 Q. Were Exhibits 3, 4 and 5 prepared by you?

8 A. Yes, they were.

9 MR. HALL: We would move their admission,
10 and that concludes our direct of this witness.

11 EXAMINER STOGNER: No questions. Exhibits
12 3, 4 and 5 will be admitted into evidence.

13 Mr. Hall.

14 TROY A. HOEFER

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

18 EXAMINATION

19 BY MR. HALL:

20 Q. For the record, state your name.

21 A. Troy A. Hoefer.

22 Q. Mr. Hoefer, let's look at Exhibit 2 and the
23 AFE in that exhibit. If you would, please, review the
24 well costs?

25 A. Okay. Exhibit 2 is a detailed cost

1 estimate for the drilling, equipping and completing of
2 the FC State Com No. 31 well. This will be a
3 2,460-foot Fruitland Coal test. The completed costs
4 on this well would be \$343,900.

5 Q. Are those costs in line with what's being
6 charged in the area?

7 A. Yes, they are.

8 Q. What are the estimated overhead and
9 administrative costs for drilling and producing the
10 well?

11 A. \$3,831 per month while drilling, \$382 per
12 month while producing.

13 Q. Are those charges also in line?

14 A. Yes, they are.

15 Q. Are you recommending that those rates be
16 incorporated into any Order that results from the
17 hearing?

18 A. Yes, I am.

19 Q. Let's look at Exhibit 6, if you would,
20 please, sir?

21 A. Okay. Exhibit 6 shows all offset Fruitland
22 Coal wells which have been drilled within an
23 approximate two-mile radius of the FC State Com No.
24 31. You will note that there have been six wells
25 drilled to date in this area, all of them operated by

1 Meridian.

2 If you would look at the surface shut-in
3 pressure, you'll note this is a low pressured area.
4 Therefore we will need to case and fracture-stimulate
5 the coal in this area. Because of this there are
6 inherent risks; because we use such a large fracture
7 treatment, we use high rates, high volumes and high
8 pump pressures to enhance the natural fracturing and
9 permeability.

10 If you look at the next column, you'll see
11 the current producing rates for the six wells. This
12 data is from Dwight's Energy Data and is a current
13 three-month average producing rate from these wells.

14 As you can see, the production has been
15 anywhere from 1 Mcf per day to 41 Mcf per day, which
16 is not very attractive for a \$343,000 well.
17 Therefore, due to the low production rates in the area
18 and the inherent risks in fracture-stimulating this
19 well, we feel that the standard 256 penalty is
20 justified in this case.

21 Q. Does the information contained in Exhibit 6
22 indicate to you that there is a chance the well will
23 not be a commercially successful well?

24 A. Yes. As I stated before, the low rates, if
25 we were to encounter these low rates, this well would

1 not be economic.

2 Q. In your opinion, is the granting of this
3 application in the best interests of conservation, the
4 prevention of waste and the protection of correlative
5 rights?

6 A. Yes.

7 Q. Was Exhibit 6 prepared by you?

8 A. Yes.

9 MR. HALL: We would move the admission of
10 Exhibit 6, and also Exhibit 7 which is our 12-07
11 Affidavit.

12 EXAMINER STOGNER: Exhibits 6 and 7 will be
13 admitted. I have no questions of this witness. You
14 may be excused.

15 Mr. Hall, anything further?

16 MR. HALL: No, sir.

17 EXAMINER STOGNER: Again, this case will be
18 continued to the Examiner's Hearing scheduled for
19 October 31st, at which time it will be taken under
20 advisement.

21 (Thereupon, the proceedings concluded.)

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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.

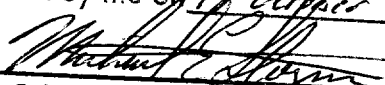
13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL October 20, 1990.

18 
19 CARLA DIANE RODRIGUEZ
20 CSR No. 91

21 My commission expires: May 25, 1991
22

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the examiner hearing of Case No. 10123,
heard by me on 17 October 1990.


Examiner
Oil Conservation Division