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

IN THE MATTER OF:

APPLICATION OF CHEVRON U.S.A., INC. TO )  
REINSTATE ORDER NO. R-4224 AND FOR ) CASE NO. 10153  
SIMULTANEOUS DEDICATION, LEA COUNTY, )  
NEW MEXICO )  
----- )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Examiner

November 14, 1990

9:49 a.m.

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on November 14, 1990, at 9:49 a.m. at the Oil Conservation Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Susan G. Ptacek, a Certified Shorthand Reporter No. 124 and Notary Public in and for the County of Santa Fe, State of New Mexico.

FOR: OIL CONSERVATION  
DIVISION

BY: SUSAN G. PTACEK  
Certified Shorthand Reporter  
CSR No. 1224

## I N D E X

November 14, 1990  
 Examiner Hearing  
 Case No. 10153

## APPEARANCES

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## APPLICANT WITNESS:

ALAN WARD BOHLING

Direct Examination by Mr. Carr  
 Examination by Examiner Catanach

4  
 14

## REPORTER'S CERTIFICATE

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\* \* \*

## E X H I B I T S

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## APPLICANT'S EXHIBIT

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

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.  
General Counsel  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87504

FOR THE APPLICANT: CAMPBELL & BLACK, P.A.  
Attorneys at Law  
BY: WILLIAM F. CARR, ESQ.  
110 N. Guadalupe  
Santa Fe, New Mexico 87501

\* \* \*

1 EXAMINER CATANACH: At this time we will call Case  
2 10153.

3 MR. STOVALL: Application of Chevron U.S.A., Inc. to  
4 reinstate Order No. R-4224 and for simultaneous dedication,  
5 Lea county, New Mexico.

6 EXAMINER CATANACH: Are there appearances in this  
7 case?

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

12 EXAMINER CATANACH: Are there any other appearances in  
13 this case?

14 Will the witness please stand and be sworn in?

15 ALAN WARD BOHLING,  
16 the Witness herein, having been first duly sworn, was  
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q. Would you state your full name for the record,  
21 please?

22 A. My name is Allan Ward Bohling.

23 Q. Mr. Bohling, where do you reside?

24 A. I reside in Midland, Texas.

25 Q. By whom are you employed and in what capacity?

1 A. I'm employed by Chevron as a proration engineer.

2 Q. Have you previously testified before the Oil  
3 Conservation Division and had your credentials as a  
4 proration engineer accepted and made a matter of record?

5 A. Yes, sir, I have.

6 Q. Are you familiar with the application filed in  
7 this case on behalf of Chevron?

8 A. Yes, sir, I am.

9 Q. Are you familiar with the proposed nonstandard  
10 proration unit and the wells located thereon?

11 A. Yes, sir, I am.

12 MR. CARR: Are the witness' qualifications acceptable?

13 EXAMINER CATANACH: They are.

14 Q. (By Mr. Carr) Would you briefly state what  
15 Chevron seeks with this application?

16 A. Yes, sir. Chevron is here today seeking to  
17 reinstate Order No. R-4224, which was dated November 19,  
18 1971, which authorized a 320-acre nonstandard proration  
19 unit comprising the north half of the south half and the  
20 south half of the north half of Section 29, Township 20  
21 South, Range 37 East, Lea County, New Mexico.

22 We are also seeking to simultaneously dedicate  
23 this 320-acre nonstandard proration unit to our A. B.  
24 Reeves Wells Nos. 1, 2 and 3, and to a new proposed well  
25 No. 4, which is to be located at an unorthodox location of

1 1880 feet from the south line and 1980 feet from the east  
2 line of Section 29.

3 Q. Will all these wells be completed and producing  
4 from the Eumont Gas Pool?

5 A. Yes, they will.

6 Q. Would you refer to what has been marked as  
7 Chevron Exhibit No. 1. Identify that and review it for Mr.  
8 Catanach.

9 A. Exhibit No. 1 is a map over nine sections of the  
10 area centered around our A. B. Reeves lease. The proposed  
11 320-acre nonstandard proration unit in the Eumont Gas Pool  
12 that we are seeking here today is highlighted in yellow,  
13 and our three currently existing A. B. Reeves Wells No. 1,  
14 2, and 3, are indicated by a red star or asterisk. Also  
15 shown on this plat is a red circle and arrow, and that  
16 indicates our proposed location for our well No. 4. The  
17 offsetting operatorships are also shown on this plat.

18 Q. Mr. Bohling, would you refer to Chevron Exhibit  
19 No. 2 and then review the history of this particular  
20 proration unit for Mr. Catanach?

21 A. Exhibit No. 2 is a packet of OCD orders which  
22 have been issued and involve the A. B. Reeves lease and  
23 wells. Page 1 of this packet is an administrative order  
24 NSP 93, which was dated February 21, 1955, and grants a  
25 160-acre nonstandard proration unit comprising the south

1 half of the north half of Section 29 to our A. B. Reeves  
2 well No. 2. Our A. B. Reeves well No. 2 is located 1980  
3 feet from the north line and 660 feet from the west line of  
4 Section 29. It was completed in July 20, 1937, in the  
5 Eunice Oil Pool, and it was later plugged back in November  
6 26, 1954, to the Eumont Gas Pool.

7           The second page of this packet is administrative  
8 order NSP 97, also dated February 21, 1955, and it grants a  
9 160-acre nonstandard proration unit to our A. B. Reeves  
10 Well No. 1, and this unit is comprised of the north half of  
11 the south half of Section 29. Our A. B. Reeves Well No. 1  
12 is located 1980 feet from the south line and 660 feet from  
13 the west line. It was completed as an Eunice oil well in  
14 July 2nd of 1936. It was later plugged back to the Eumont  
15 Gas Pool in April 29, 1955.

16           Q.     Now, the A. B. Reeves Wells 1 and 2 are two of  
17 the wells that you propose to simultaneously dedicate to  
18 the proposed nonstandard unit; is that correct?

19           A.     That is correct.

20           Q.     They are still producing from the Eumont Gas  
21 Pool?

22           A.     Yes, they are.

23           Q.     Let's go to the next page of this exhibit.

24           A.     The next page of the exhibit is our Order No.  
25 4224, which is dated November 19, 1971, and this granted a

1 consolidation of the two previously mentioned 160-acre  
2 nonstandard proration units into a 320-acre nonstandard  
3 proration unit and simultaneously dedicated that unit to  
4 our A. B. Reeves Well No. 1 and 2.

5 Q. What was the purpose of this consolidation, to  
6 enable either well to produce the allowable assigned to  
7 that unit?

8 A. Yes. At that time one of the wells was not  
9 capable of producing a top allowable, while the other one  
10 was capable of producing a top allowable.

11 Q. So as a result of this order, the unit that  
12 you're now seeking to be recreated was approved by the Oil  
13 Conservation Division?

14 A. Yes, it was.

15 Q. Let's go on. Following the entry of this order,  
16 what additional development transpired on this particular  
17 lease?

18 A. In December of 1983 we drilled our A. B. Reeves  
19 Well No. 3 and completed it in the Eumont Gas Pool, and the  
20 A. B. Reeves Well No. 3 is located 1980 feet from the north  
21 line and 1980 feet from the east line of Section 29. We  
22 subsequent to that filed for and received a nonstandard  
23 proration unit assignment of 160 acres by order NSP 1408,  
24 dated December 1 of '83. And it dedicated the south half  
25 of the northeast quarter and the north half of the



1 southeast quarter to our Well No. 3.

2 Q. So at this point in time you had multiple  
3 dedication of the easternmost 160 acres of the proposed  
4 proration unit?

5 A. That is correct. This multiple dedication was  
6 discovered during an NGPA price category filing which was  
7 made January 17 of 1984, later granted on November 18th of  
8 '85. As a result of this discovery we then filed from a  
9 request of the OCD an application to dedicate the west 160  
10 acres of that 320-acre unit and simultaneously dedicate it  
11 to our Wells No. 1 and 2. That was granted by NSP Order  
12 1473 SD and thereby retained Order NSP 1408 intact for Well  
13 No. 3.

14 Q. Now what Chevron is seeking to do is put the two  
15 180-acre tracts back together?

16 A. That is correct.

17 Q. And what do you hope to achieve by doing this?

18 A. By doing this we hope to achieve the ability to  
19 fully develop the 320 acres by drilling our Well No. 4 and  
20 to acquire excess allowable, which is not currently being  
21 utilized apply that to our Well No. 4.

22 Q. Mr. Bohling, what impact would approval of this  
23 application have on the locations of the existing wells on  
24 the proposed 320-acre unit?

25 A. The granting of this application would cause

1 three of the wells -- two of the existing wells and our  
2 proposed well to be at unorthodox locations.

3 Q. Would you refer to Chevron Exhibit No.3,  
4 identify that and review it for Mr. Catanach.

5 A. Exhibit No. 3 is a C102 plat, which illustrates  
6 the location of each of the four wells on this 320-acre  
7 unit. As you can see Well No. 1 and Well No. 2 would  
8 become unorthodox on a 320-acre proration unit in that they  
9 are less than 990 feet from the end of that proration unit.  
10 Our Well No. 4, proposed well, would also be become  
11 unorthodox in that it is less than 660 feet from the side  
12 of a 320-acre proration unit.

13 Q. Would you refer to Chevron Exhibit No. 4,  
14 identify that and review it for the examiner.

15 A. Our Exhibit No. 4 is a rough sketch of the  
16 proposed location for our A. B. Reeves No. 4, and it  
17 illustrates that we are moving the location approximately  
18 100 feet to the south to avoid buried pipelines in the area  
19 which would restrict us from drilling a well at a standard  
20 location.

21 Q. Does moving the well in this fashion also enable  
22 you to locate a well in an area that probably has been less  
23 subject to drainage than the standard location?

24 A. That is correct.

25 Q. Will moving Well No. 4 to the south as you have

1 proposed impair the correlative rights of any offsetting  
2 interest owner?

3 A. No, sir. It would be approaching currently  
4 Chevron operated interests.

5 Q. Are their royalty interests the same?

6 A. I'm not certain. I believe there are two  
7 different leases.

8 Q. Do the unorthodox locations of the Wells 1 and 2  
9 impair the correlative rights of any other interests owner  
10 in the area?

11 A. No, sir, I don't believe they do. They are both  
12 low producers. Our Well No. 1 is producing approximately  
13 56 Mcf a day. Our Well No. 2 is producing approximately 15  
14 Mcf a day, and they're marginal production and do not feel  
15 that their continued production would impair the  
16 correlative rights of offset operators.

17 Q. What allowable rate do you hope to obtain by  
18 combining these tracts?

19 A. Our Exhibit No. 5 illustrates the current  
20 production as averaged -- a running average over the last  
21 12 months for each of our three wells. A. B. Reeves Well  
22 No. 1 at 56 Mcf a day, the A. B. Reeves Well No. 2 at 15  
23 Mcf a day, and the A. B. Reeves Well No. 3 at 55 Mcf a day  
24 for total production of 126 Mcf a day. The running  
25 allowable for the last 12 months has been averaging 454 Mcf

1 a day. This would leave us an excess allowable or a margin  
2 of approximately 329 Mcf a day to be assigned to our  
3 proposed Well No. 4, and from this exhibit we don't feel  
4 that 329 Mcf a day will be sufficient to be able to drill  
5 and complete Well No. 4 in the Eumont Pool.

6 Q. Mr. Bohling, these numbers are calculated on  
7 allowable rates for the past year for this particular --  
8 for these particular wells; is that correct?

9 A. That is correct.

10 Q. Are you aware of order R-8170R which was entered  
11 by the division during the last week which sets a minimum  
12 allowable of 600 Mcf per day for three years in this pool?

13 A. Yes, sir, I am. I just became aware of that.

14 Q. In view of this increased allowable, does  
15 Chevron still need to consolidate these two tracts into a  
16 320-acre unit?

17 A. Yes, sir, I believe we do. And seen from our  
18 Exhibit No. 6, this plat shows the results of recent  
19 recompletions of wells in the Eumont Gas Pool around our  
20 proposed 320-acre unit. And numbers range as high as 759  
21 Mcf a day. Also Chevron has drilled other wells in the  
22 Eumont Pool just recently, and we have been successful in  
23 our drilling and completion of those wells with production  
24 ranging from 250 to 700 Mcf a day. One well in particular  
25 recently produced an initial potential of 2.5 million a

1 day. So we feel pretty optimistic about our Well No. 4  
2 here and its capability of producing the new minimum  
3 allowable, if not more.

4 Q. If the tracts are consolidated with the new  
5 minimum allowable, do you anticipate that if you obtain a  
6 well comparable to some of the better wells in the pool you  
7 will be able to produce the gas and will not be suffering  
8 from an allowable restriction?

9 A. Yes, sir.

10 Q. Is Chevron Exhibit No. 7 an affidavit confirming  
11 that notice has been given of this application as required  
12 by OCD rules?

13 A. Yes, sir, it is.

14 Q. Have you received waivers from any offsetting  
15 operators?

16 A. I have received waivers from three offsetting  
17 operators. I have received a waiver from Phillips  
18 Petroleum, a waiver from William R. Hudson, and a waiver  
19 from Mr. Doyle Hartman.

20 Q. Mr. Bohling, in your opinion will approval of  
21 this application be in the best interest of conservation,  
22 the prevention of waste and the protection of correlative  
23 rights?

24 A. Yes, sir, it will.

25 Q. Were Exhibits 1 through 7 either prepared by you

1 or compiled under your direction and your supervision?

2 A. Yes, they were.

3 MR. CARR: At this time, Mr. Catanach, we would move  
4 the admission of Chevron Exhibits 1 through you] 7.

5 EXAMINER CATANACH: Exhibits 1 through 7 will be  
6 admitted as evidence.

7 (Applicant's Exhibits 1 through 7  
8 were admitted in evidence.)

9 MR. CARR: That concludes my direct examination of Mr.  
10 Bohling.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Bohling, do you have any estimates on what  
14 the No. 4 well may produce?

15 A. Estimates that I have received from my engineers  
16 and geologists, I believe somewhere between the  
17 neighborhood of 500 and 600 Mcf a day. We are generally  
18 conservative in our estimates for economic reasons.

19 Q. Under the proposed acreage reconsolidation your  
20 allowable that would be available for production on No. 4  
21 well would be 1,074 Mcf per day. Do you have an opinion as  
22 to whether this high allowable available for the No. 4 well  
23 will violates any offset operators' correlative rights?

24 A. I don't believe it will. We are principally  
25 seeking this application today for our Well No. 4, which is

1 to capture reserves which probably have not been drained  
2 from that portion of the lease.

3 Q. What are the offset Eumont wells to the No. 4  
4 well?

5 A. Our three A. B. Reeves wells are offset, and  
6 then Chevron's Bell Ramsay Well No. 1 is offset to the  
7 south.

8 Q. That's in Section 29?

9 A. Yes, southwest quarter of the southwest quarter.

10 Q. Okay.

11 A. Also located in unit letter L of section 28  
12 Chevron's Bell Ramsay Well No. 3.

13 Q. These wells currently are marginal wells?

14 A. Yes, I believe they are. There is also John H.  
15 Hendricks' well, State A No. 1, located in unit letter O of  
16 Section 30. That was one that's just recently  
17 recompleted -- actually in 1988 at 528 Mcf a day. I  
18 believe it's still producing at around 400 Mcf a day.

19 Q. Who is that well in the north half of Section 32  
20 that you show as a recompletion?

21 A. That is the Turner State No. 3 Well, which is  
22 operated by Mr. Doyle Hartman located in unit letter F of  
23 Section 32.

24 Q. Do you know if Chevron has any plans to drill  
25 another well in the south half of the south half of 29?

1           A.     To my knowledge right now I do not know if they  
2 do or not.

3           Q.     Is that currently -- the south half of the south  
4 half, is that currently a proration unit?

5           A.     Yes, it is.

6           Q.     Do you know what order may have approved that  
7 proration unit?

8           A.     No, sir, I do not. I can locate that for you  
9 and send it to you, if you like.

10          Q.     What's the status of the remaining acreage in  
11 Section 29, the north half of the north half?

12          A.     To my knowledge that is currently dedicated to  
13 two wells, the A. B. Reeves Well No. 6 and Well No. 7,  
14 which are operated by Mr. Hartman.

15          Q.     To your knowledge that's another 160-acre  
16 nonstandard unit?

17          A.     Yes, sir.

18          Q.     Mr. Bohling, does Chevron have any plans to  
19 attempt any kind of recompletion of the Well Nos. 1, 2, and  
20 3 on this lease?

21          A.     No, sir, we do not. All three of those wells  
22 apparently, according to my geologists, have been  
23 perforated as much as they can be perforated in the Eumont  
24 pool, and the incremental production that could be obtained  
25 from recompleting those may not be -- meet our corporate



1 minimum economic guidelines at this time. We would have to  
2 probably apply a small frac job in recompleting them, and  
3 especially our Well Nos. 1 and 2 that produced for a  
4 considerable length of time.

5 Q. Do you know if Chevron is the only working  
6 interest owner in the proposed proration unit?

7 A. Yes, they are.

8 Q. And this is the same base lease so we should  
9 have the same royalty interest?

10 A. That is correct.

11 Q. This is a fee lease?

12 A. Yes.

13 Q. Will this have any adverse affect on any of the  
14 royalty interest owners as far as you can tell?

15 A. I don't believe it will.

16 EXAMINER CATANACH: I have no further questions of  
17 this witness. He may be excused.

18 MR. CARR: Nothing further in this case, Mr. Catanach.

19 EXAMINER CATANACH: There being nothing further in  
20 Case 10153, it will be taken under advisement.

21 (Whereupon, the hearing was concluded.)

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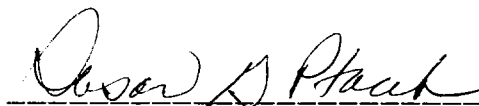
1 STATE OF NEW MEXICO )  
 ) ss.  
 2 COUNTY OF SANTA FE )

3 REPORTER'S CERTIFICATE

4  
 5 I, Susan G. Ptacek, a Certified Shorthand Reporter and  
 6 Notary Public, do HEREBY CERTIFY that I stenographically  
 7 reported the proceedings before the Oil Conservation  
 8 Division, and that the foregoing is a true, complete and  
 9 accurate transcript of the proceedings of said hearing as  
 10 appears from my stenographic notes so taken and transcribed  
 11 under my personal supervision.

12 I FURTHER CERTIFY that I am not related to nor  
 13 employed by any of the parties hereto, and have no interest  
 14 in the outcome thereof.

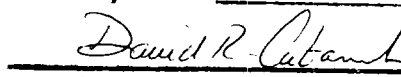
15 DATED at Santa Fe, New Mexico, this 10th day of  
 16 December, 1990.



SUSAN G. PTACEK  
 Certified Shorthand Reporter  
 Notary Public

17  
 18 My Commission Expires:  
 19 December 10, 1993

20  
 21  
 22 I do hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the Examiner hearing of Case No. 1053,  
 23 heard by me on November 14 1990.

24 , Examiner  
 Oil Conservation Division  
 25