

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

November 27, 1990

HAND-DELIVERY

Mr. William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87501

RECEIVED

OIL CONSERVATION DIVISION


Case 10181

Re: In the Matter of the Application of Tahoe Energy, Inc. For a Non-Standard
Proration Unit, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Tahoe Energy, Inc. in the above-referenced case. Tahoe Energy, Inc. respectfully requests that this matter be placed on the docket for the December 19, 1990 Examiner hearings.

Very truly yours,


WILLIAM F. CARR

WFC:mtb
Enclosures

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
) CASE NO. 10181
APPLICATION OF TAHOE ENERGY, INC.,)
FOR A NON-STANDARD GAS PRORATION)
UNIT, LEA COUNTY, NEW MEXICO.)
-----)

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 19, 1990

9:07 a.m.

Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on December 19, 1990, at 9:07 a.m.
at the Oil Conservation Division Conference Room, State
Land Office Building, 310 Old Santa Fe Trail, Santa Fe,
New Mexico, before Maureen R. Hunnicutt, RPR, Certified
Shorthand Reporter No. 166, for the State of New Mexico.

FOR: OIL CONSERVATION
DIVISIONBY: MAUREEN R. HUNNICUTT, RPR
Certified Shorthand Reporter
CSR No. 166

I N D E X

December 19, 1990
 Examiner Hearing
 CASE NO. 10181

PAGE

APPEARANCES

3

TAHOE ENERGY, INC., WITNESS:

KENNETH A. FREEMAN

Direct Examination by Mr. Carr

4

Examination by Mr. Stogner

9

REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

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APPLICANT TAHOE ENERGY EXHIBIT

1	Land Plat of proposed 160-acre non-standard proration unit	5	9
2	Oil Conservation Division Order No. R-9102	6	9
3	Letter, to Mobil Exploration March 28, 1990 from K. A. Freeman	7	9
4	Special Rules and Regulations for the Jalmat	7	9
5	Affidavit by William F. Carr, December 17, 1990	8	9

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

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

* * *

1 EXAMINER STOGNER: At this time call the next case,
2 No. 10181.

3 MR. STOVALL: Application of Tahoe Energy, Inc., for
4 a non-standard gas proration unit, Lea County, New Mexico.

5 EXAMINER STOGNER: Call for appearances.

6 MR. CARR: May it please the Examiner, my name is
7 William F. Carr, with the law firm Campbell & Black, P.A.
8 of Santa Fe. I represent Tahoe Energy, Inc., and I have
9 one witness.

10 EXAMINER STOGNER: Are there any other appearances?

11 (No response.)

12 EXAMINER STOGNER: Will the witness please stand and
13 be sworn?

14 (Discussion off the record.)

15 Mr. Carr, you may continue.

16 KEN FREEMAN,
17 the Witness herein, having been first duly sworn, was
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. CARR:

21 Q. Would you state your full name and place of
22 residence?

23 A. Kenneth Freeman. I reside at 3107 Stanlin
24 Court, Midland, Texas.

25 Q. Mr. Freeman, by whom are you employed and in

1 what capacity?

2 A. Tahoe Energy as president.

3 Q. Have you previously testified before the oil
4 conservation commission?

5 A. Yes, I have.

6 Q. And were your credentials accepted and made a
7 matter of record at the time of that prior testimony?

8 A. Yes, they were.

9 Q. Were you qualified as a petroleum engineer?

10 A. Yes.

11 Q. Are you familiar with the application filed in
12 this case on behalf of Tahoe Energy, Inc.?

13 A. Yes.

14 Q. Are you familiar with the subject area?

15 A. Yes, I am.

16 Q. Mr. Freeman, would you refer to what has been
17 marked for identification as the Tahoe Exhibit No. 1,
18 identify that and review it for Examiner Stogner?

19 A. It's a land plat showing the proposed 160-acre,
20 non-standard, gas proration unit. It is white, and then
21 the various colors are represented with an operator
22 assigned to it, an offset operator, showing who is the
23 offset operators around the subject 160-acre tract.

24 Q. What is the current status of the development
25 of this acreage in the Jalmat?

1 A. It's all been developed except in this 160.

2 Q. Is the proposed well on this tract indicated on
3 Exhibit No. 1?

4 A. Yes, it is.

5 Q. And is all the offsetting acreage dedicated to
6 wells in the Jalmat formation?

7 A. Yes.

8 Q. Could you refer to what has been marked as our
9 Exhibit No. 2 and, in referring to that, advise the
10 Examiner as to the recent action by this division
11 approving other non-standard Jalmat proration units in the
12 area?

13 A. What's this again? What Exhibit 2 is?

14 Q. Yes, sir. Yes, sir.

15 A. Exhibit 2 refers to actually four non-standard
16 gas proration units which were located in Section 3.
17 Three of them are in Section 3, and then the section to
18 the west in Section 4 there was a 120-acre tract; and
19 these were non-standard gas proration units which have
20 been approved by the commission, and this is -- the one we
21 are now asking for is a direct east offset to it.

22 Q. And Exhibit 2 is a copy of Order No. R-9102?

23 A. Yes.

24 Q. And that was entered on Tahoe's application in
25 January of this year?

1 A. Yes.

2 Q. And have wells been drilled by Tahoe on each of
3 the three 160-acre proration units in Section 3 as of this
4 time?

5 A. Yes, they have.

6 Q. When did Tahoe acquire its interest in the
7 property which is involved in today's hearing?

8 A. It was acquired on what we're showing as
9 Exhibit 3, dated March 28, 1990, from Mobil Oil Company.

10 Q. Would you now go to what has been marked as
11 Exhibit No. 4? Identify that for the Examiner.

12 A. Exhibit No. 4 are rules of the Jalmat gas
13 proration --

14 Q. And what are the --

15 A. -- fields --

16 Q. What are the --

17 A. -- gas pools.

18 Q. -- well location requirements as set forth in
19 those rules?

20 A. 660 feet from the nearest property line.

21 Q. And will the well that you're proposing be at a
22 standard location in accordance with these rules?

23 A. Yes, it will.

24 Q. What is the status of the ownership of the
25 Jalmat under each non-standard unit?

1 A. It's common throughout.

2 Q. Throughout all of Section 3?

3 A. Yes.

4 Q. And who operates the remaining acreage in
5 Section 3?

6 A. Tahoe Energy does.

7 Q. In your opinion, is all of the proposed
8 non-standard proration unit reasonably -- can be
9 reasonably assumed to be productive in the Jalmat
10 formation?

11 A. Yes, it is.

12 Q. How soon do you propose to commence drilling on
13 the proposed non-standard proration unit?

14 A. As soon as we obtain approval in the farmout
15 letter, it's 120 days after the rig was released on the
16 last well, which was December the 13th.

17 Q. And that would be the last well in Section 3?

18 A. Yes, it will.

19 Q. Is what has been marked Exhibit No. 5 a copy of
20 an affidavit confirming that notice of this application
21 has been provided as required by OCD rules?

22 A. Yes.

23 Q. In your opinion, will granting of this
24 application result in the recovery of additional reserves
25 from the Jalmat gas pool?

1 A. Yes, it will.

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

6 A. Yes.

7 Q. Were Exhibits 1 through 5 either prepared by
8 you or compiled under your direction and supervision?

9 A. Yes, they were.

10 MR. CARR: At this time, Mr. Stogner, we would move
11 the admission of Tahoe Exhibits 1 through 5.

12 EXAMINER STOGNER: Exhibits 1 through 5 will be
13 admitted into evidence.

14 (Tahoe Energy Exhibits 1 through 5
15 were admitted into evidence.)

16 MR. CARR: And that concludes my direct examination
17 of Mr. Freeman.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. Freeman, have the wells in which the
21 approval of R-9102, that was before non-standard proration
22 units, three of them in Section 3 and one in Section 4 --
23 I'm sorry. Yeah.

24 A. Yes, that's right.

25 Q. -- have the wells been drilled and are they

1 presently producing from the Jalmat pool?

2 A. Wells 1 and 2, which would be the west half of
3 the Section 3, are currently producing, and well No. 4,
4 the 120-acre tract in Section 4, it is producing, and we
5 have set pipe on well No. 3, which would be in the west
6 half, and we have not completed it yet. We're waiting on
7 pipeline to be laid before we start completion.

8 Q. The ones that are producing, are they indeed
9 gas wells in the Jalmat pool?

10 A. Yes, they are. Make no oil at all.

11 Q. And I guess testing on the No. 3 also indicates
12 that's a gas well too?

13 A. We. Logs -- It's very, very similar to the
14 No. 2 well, and it makes about 400 MCF a day.

15 Q. Now, when these four non-standard proration
16 units came to hearing last year, why wasn't this one
17 included? Did Tahoe not have the acreage?

18 A. Yes. It was an oversight on our part. When we
19 requested the farmout from Mobil, it was not included; and
20 we later went back to Mobil and asked for the acreage, and
21 it was granted. It was just added to the original
22 farmout.

23 Q. And approval of this non-standard proration
24 unit would have -- would develop -- I'm sorry. Let me
25 rephrase that.

1 The approval of this non-standard proration
2 unit would have Section 3 developed in the Jalmat pool in
3 an efficient manner?

4 A. Yes, it would. It would be developed on
5 160-acre tracts for Jalmat gas.

6 Q. And the name of this well is going to be the
7 White Cloud No. 1?

8 A. Yes. The reason for that was there's federal
9 -- this 160 is federal acreage, and the other is not. The
10 other is common.

11 Q. So the 160 acres comprising the east half east
12 half is federal?

13 A. Yes.

14 Q. And the remainder of the Section 3 is fee?

15 A. Is fee, correct.

16 Q. Now, the east half east half is that the only
17 federal lease involved, or does that also extend over into
18 some other areas?

19 A. This is -- that is the only federal lease
20 involved, yes.

21 Q. Have you got your well location staked for that
22 White Cloud?

23 A. We have not, no.

24 Q. Do you have any idea of your timeframe on
25 drilling that well?

1 A. I assume that we would spud it the first half
2 of February. Basically availability of the rig will be
3 the main thing.

4 EXAMINER STOGNER: Are there any other questions of
5 this witness?

6 (No response.)

7 EXAMINER STOGNER: No. He may be excused. Does
8 anybody else have anything further in this case?

9 MR. CARR: Nothing further.

10 EXAMINER STOGNER: Case No. 10181 will be taken under
11 advisement.

12 (The foregoing hearing was concluded at the
13 approximate hour of 9:16 a.m.)

14 * * *

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16
17
18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 10181,
21 heard by me on 14 December 1990.
22 Mark E. Stogner, Examiner
23 Oil Conservation Division
24
25

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

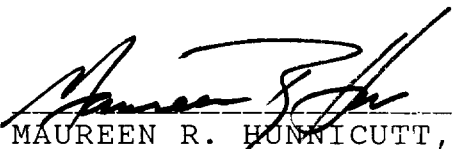
5 REPORTER'S CERTIFICATE

6
7 I, MAUREEN R. HUNNICUTT, RPR, a Certified Shorthand
8 Reporter and Notary Public, DO HEREBY CERTIFY that I
9 stenographically reported these proceedings before the Oil
10 Conservation Division; and that the foregoing is a true,
11 complete and accurate transcript of the proceedings of
12 said hearing as appears from my stenographic notes so
13 taken and transcribed under my personal supervision.

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

17 DATED at Santa Fe, New Mexico, this 19th day of
18 January, 1991.

19
20
21 My Commission Expires:
22 April 25, 1993


MAUREEN R. HUNNICUTT, RPR
Certified Shorthand Reporter
CSR No. 166, Notary Public