

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 17 October 1985

7 COMMISSION HEARING

8 IN THE MATTER OF:

9 The hearing called by the Oil Con-
10 servation Commission on its own
11 motion to amend Rule 102 to require
12 a copy of Form C-101 (Permit) on
13 location during drilling operations,
14 etc.

CASE
8645

15 BEFORE: Richard L. Stamets, Chairman
16 Ed Kelley, Commissioner

17 TRANSCRIPT OF HEARING

18 A P P E A R A N C E S

19 For the Division:

20 Jeff Taylor
21 Attorney at Law
22 Legal Counsel to the Division
23 Energy and Minerals Dept.
24 Santa Fe, New Mexico 87501

25 For the Applicant:

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I N D E X

STATEMENT BY MR. JOHN YURONKA

QUESTIONS BY MR. STAMETS

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3 MR. STAMETS: We'll call first
4 this morning Case Number 8645, which is in the matter of the
5 hearing called by the Oil Conservation Commission on its own
6 motion to amend Rule 102 to require a copy of Form C-101 on
7 the location during drilling operations, to provide notice
8 to landowners and/or tenants prior to staking of well loca-
9 tions, and to provide for notice to the operator of any
10 other well located on the same quarter-quarter section.

11 We have heard this case three
12 times now and we're opening it today for additional testi-
13 mony related to notice to the operator of any other well in
14 the same 40-acre tract.

15 MR. TAYLOR: May it please the
16 Commission, my name is Jeff Taylor, attorney for the Oil
17 Conservation Commission, and the request to reopen this case
18 was made by Mr. John Yuronka, who will, I think, make a
19 statement on the case rather than testifying, if that's ap-
20 propriate.

21 MR. STAMETS: I think Mr.
22 Yuronka needs to testify in this matter.

23 MR. TAYLOR: Raise your right
24 hand, please.

25 (Mr. Yuronka sworn.)

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3 MR. YURONKA: My name is John
4 Yuronka. I'm an independent oil operator and consulting
5 petroleum engineer from Midland, Texas.

6 I've testified before the Com-
7 mission previously.

8 May I continue, sir?

9 MR. STAMETS: You may continue.

10 MR. YURONKA: Thank you.

11 MR. STAMETS: You're widely re-
12 cognized in these environs, Mr. Yuronka, and obviously qual-
13 ified.

14 MR. YURONKA: Oh, the compli-
15 ments are tremendous.

16 I have proposed this addition
17 to Rule 102 in the Gas Proration Committee from the begin-
18 ning when it started in February, 1984, and we have discus-
19 sed it on and off at almost every meeting I have attended
20 since that time.

21 Circumstances in the industry
22 today have changed tremendously, whereby we are doing a
23 great deal of infill drilling and a great deal of this in-
24 fill drilling is being done on 40-acre tracts where you al-
25 ready have existing wells.

When I originally proposed

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2 this, it was basically for southeast, for the shallow pools,
3 Jalmat, Langlie Mattix, Eumont, Eunice Monument, and the
4 discussions at the Committee, the Committee finally resolved
5 that it probably ought to be considered as a statewide rule.

6 Now why would this rule be
7 amended? In the last year or so we have had with this in-
8 fill drilling certain things that have come up in the oil-
9 field.

10 I can cite four examples.
11 One, a gentleman staked a location right on another gentle-
12 man's flow line. The operator asked this man to move the
13 location; he would not move it. He was never notified that
14 he was going to drill the well.

15 On two separate occasions loca-
16 tions were being built, the operator discovered it, part of
17 his pad that he had already built was being used as part of
18 the other company's pad to build the location. The loca-
19 tions were maybe 100 or so feet away from an existing Lang-
20 lie Mattix well. The wells that were going to be drilled
21 would be Jalmat gas wells.

22 One Jalmat gas well was being
23 drilled 330 feet away from an existing Langlie Mattix well
24 and it was fraced and today in order to bring in any sort of
25 a decent well in that area, you have to fracture with
approximately 40,000 gallons and 80,000 pounds of sand.

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2 Fraced into this gentleman's well and collapsed the casing.

3 Number four example, which gets
4 a little complicated to explain, there was 160-acre prora-
5 tion unit with a well, a Jalmat gas well in the southwest
6 quarter of the 160.

7 The man who had this farmed out
8 the Jalmat rights to another individual who drilled the well
9 in the northeast of the 160-acre tract.

10 In the meantime, somemone ob-
11 tained the Langlie Mattix rights from this gentleman and he
12 drilled a well on the same 40-acre tract as the first Jalmat
13 gas well; in other words, the southwest quarter of the 160.

14 It was a bummer well. It was
15 plugged and abandoned. This man who had the well in the
16 northeast quarter had a terrible Jalmat gas well and he just
17 re-entered the other one and he had a tremendous frac treat-
18 ment on the well. I don't know the size of it but I do know
19 the cost of the frac job ws \$110,000.

20 I think we need to have a situa-
21 tion where if somemone has an existing well on a 40-acre
22 tract and anyone wants to drill another well, whether it's a
23 shallower well or a deeper well, I think the operator who
24 has the existing well on that 40-acre tract has the right to
25 be notified that the well ils being drilled.

 Once this is done, I think it

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is up to the individuals or the companies involved as to what occurs, but I think it would be an obligation for this to be done.

That is all I have to say unless there are any questions.

MR. STAMETS: On this well that had collapsed casing as a result of a fracture treatment, how far away was it from the --

MR. YURONKA: 330 feet.

MR. STAMETS: So you're -- presumably in a situation like that waste could occur if the well was -- if they were unable to re-enter the well, if the economics were (not clearly understood).

MR. YURONKA: Well, you have additional expense. Now I don't know whether it was -- let me say this: I do not know whether it was the man's fault who drilled the new well or the fact that there was a bad cement job in the old well, but when you're dealing with an area like the Langlie Mattix Pool where you have wells that are thirty, thirty-five, forty years old, this is a very prevalent situation.

MR. STAMETS: If, for example, that had been your well, the original well, and you had received notice, what would you have done, what could you have done to protect yourself in that situation?

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3 what occurs, but I think it would be an obligation for this
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5 That is all I have to say un-
6 less there are any questions.

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9 how far away was it from the --

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12 sumably in a situation like that waste could occur if the
13 well was -- if they were unable to re-enter the well, if the
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15 MR. YURONKA: Well, you have
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17 me say this: I do not know whether it was the man's fault
18 who drilled the new well or the fact that there was a bad
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20 area like the Langlie Mattix Pool where you have wells that
21 are thirty, thirty-five, forty years old, this is a very
22 prevalent situation.

23 MR. STAMETS: If, for example,
24 that had been your well, the original well, and you had re-
25 ceived notice, what would you have done, what could you have
done to protect yourself in that situation?

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2 MR. YURONKA: Well, I think I'm
3 on record at the Commission, I've written two or three let-
4 ters when people try to do this to me, and spelling out the
5 liability operator if something happens to my well.

6 MR. STAMETS: And how does that
7 work?

8 MR. YURONKA: It scared one of
9 them off; didn't scare the other one.

10 MR. STAMETS: And what happened
11 in the other case? They went ahead and drilled the well?

12 MR. YURONKA: Yes.

13 MR. STAMETS: And did anything
14 bad happen?

15 MR. YURONKA: That was the case
16 where the flow line was broken twice.

17 MR. STAMETS: Anything bad hap-
18 pen to the wells in that --

19 MR. YURONKA: No, not in this
20 particular instance, no.

21 I realize what we're talking
22 about is probably an 8-inch hole and probably the odds are
23 against anything happening, but it can happen and the more
24 infill wells you have to be drilled today, as is going on
25 not just in the southeast but in the northwest, this could
be a serious problem for operators.

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MR. STAMETS: Are there any questions of Mr. Yuronka?

He may be excused.

Does anybody have anything further they wish to offer in Case 8645?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

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I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICOHearing Date SEPTEMBER 18, 1985 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
RL Hocker	Cities Service Oil & Gas Corp	Tulsa
W. K. Kellerlin	Kellerlin & Kellerlin	Santa Fe
Bob Hahn	Byrum	Santa Fe
M. Ettinger	Grynberg Pet	Denver
Gene Baller	Grynberg Pet	Santa Fe
Karen Quinby	Kellaker & Kellaker	Santa Fe
ALLAN W. DEES	TEXACO INC	MIDLAND, TX
TOM E. CHANDLER	TEXACO INC.	DENVER, COLO.
Bruce M. Brown	Grynberg Pete	Lubbock, TX
TERRY Hobbs	Southland Royalty Co	Farmington.
Perry Peance	Montgomery & Andrews PA	Santa Fe
Jim Bruce	Hinkle Law Firm	Santa Fe
William A. Jan	Temple and Back	Santa Fe
Frank Butler	Kellaker & Kellaker	Santa Fe
Dan Nutter	Cous. Evans	Santa Fe
Chuck Lunden	Samson Resources	TULSA

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 18, 1985 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>Ernest L. Padilla</i>	<i>Attorney at Law</i>	<i>SF</i>

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

18 September 1985

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Commission on its own motion to amend Rule 102 to require a copy of Form C-101 (Permit) on location during drilling operations, to provide for notice to landowners and/or tenants prior to the staking of well locations, and to provide for notice to the operator of any other well located on the same quarter quarter section.

CASE
8645

BEFORE: Richard L. Stamets, Chairman
Ed Kelley, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the NMO&G Association:

W. Thomas Kellahin
Attorney at Law
KELLAHIN & KELLAHIN
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I N D E X

GILBERT P. QUINTANA

Direct Examination by Mr. Taylor 5

Cross Examination by Mr. Kellahin 9

STATEMENT BY MR. KELLAHIN 12

E X H I B I T S

Exhibit AA, Language 8

1
2 MR. STAMETS: At this time
3 we'll call Case 8645, which is being reopened.

4 That case is in the matter
5 called by the Oil Conservation Division on its own motion to
6 amend Rule 102 requiring a copy of Form C-101 (Permit) on
7 location during drilling operations, to provide for notice
8 to landowners and/or tenants prior to the staking of well
9 locations, and to provide for notice to the operator of any
10 other well located on the same quarter quarter section.

11 This case is being reopened to
12 additionally consider requiring notice of the operator to
13 any other well on a 40-acre tract by the operator of the new
14 well to be drilled thereon.

15 As you'll note in the docket,
16 it does say that after the hearing on July the 10th one
17 operator did come in and request this last addition.

18 I would note for all the parti-
19 cipants here today that the requirement to notify landowners
20 and/or tenants was uniformly condemned by those in appear-
21 ance at the last hearing. If you're here today to do that,
22 you're in considerable company, but the issue that we'll be
23 dealing with today is basically that of requiring notice to
24 the other owners of wells in the same quarter quarter sec-
25 tion.

1 Ask for appearances in this
2 case today.

3 MR. TAYLOR May it please the
4 Commission, my name is Jeff Taylor. I'm counsel for the Oil
5 Conservation Commission, and I believe that Mr. Gilbert
6 Quintana is at least going to make a statement. I don't
7 know if you'll want him to be sworn or not on this case.

8 MR. STAMETS: It would probably
9 be just as well to do that.

10 Any other appearances in this
11 case today?

12 MR. KELLAHIN: If the Examiner
13 please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing
14 on behalf of the New Mexico Oil and Gas Association, and we
15 have different members of the Regulatory Practices Committee
16 present in the hearing room today that may have concern
17 about this specific case after Mr. Quintana presents his
18 testimony.

19 MR. STAMETS: Any other appear-
20 ances?

21 I'll ask Mr. Quintana to stand
22 and be sworn, please.

23

24

(Witness sworn.)

25

1 MR. STAMETS: You may proceed,
2 Mr. Taylor.

3
4 GILBERT P. QUINTANA,
5 being called as a witness and being duly sworn upon his
6 oath, testified as follows, to-wit:

7
8 DIRECT EXAMINATION

9 BY MR. TAYLOR:

10 Q Would you please state your name and oc-
11 cupation and residence for the record, please?

12 A Gilbert P. Quintana. I'm a petroleum en-
13 gineer for the State of New Mexico Oil Conservation Divi-
14 sion, and I reside in Albuquerque, New Mexico.

15 Q Also for the record would you go -- have
16 you testified before the Commission before?

17 A Yes, but I didn't have my qualifications
18 examined.

19 Q Why don't you just go through those
20 briefly for us?

21 A I graduated from New Mexico State Univer-
22 sity in the fall of 1979 with a degree in chemical engineer-
23 ing.

24 I was then subsequently hired by Amoco
25 Production Company and started to work for them in West

1 Texas and I worked there, worked for Amoco for approximately
2 three years in production half that time and the other half
3 as a reservoir engineer in Houston.

4 Subsequent to working for Amoco I
5 returned to New Mexico and acquired a job with the New Mex-
6 ico Oil Conservation Division and have since, approximately,
7 nearly, almost three years worked for the Oil Conservation
8 Division as a petroleum engineer, hearing examiner, and re-
9 viewing UIC injection matters.

10 Q And you are here today to testify about
11 Rule 102, are you not?

12 A Yes.

13 Q And are you familiar with Rule 102?

14 A Yes, I am.

15 MR. TAYLOR: Mr. Chairman, are
16 the witness' qualifications acceptable?

17 MR. STAMETS: He is considered
18 qualified.

19 Q Mr. Quintana, I don't -- I suppose you
20 really just have a statement today rather than real testi-
21 mony, so why don't you just give us the views of the Commis-
22 sion? Are you also going to represent the views of -- of
23 various people who have made comments or contacted you --

24 A Yes.

25 Q -- about this?

1 A Mr. John Yuronka, who isn't able to at-
2 tend at this time because of a death in his family, was ori-
3 ginally going to testify here, but because he can't make it,
4 he asked me to testify for him.

5 Q Excuse me, is he an operator in this
6 state or what's his standing?

7 A Yes, he's an operator in the state and he
8 wanted to bring this matter before the Commission.

9 Q Will you please continue.

10 A Basically what he wanted to do is he wan-
11 ted to make an additional requirement of notice for Division
12 Rule 102, and that additional requirement would be that all
13 applications to drill shall be accompanied by a plat, Form
14 C-102, which shall show any other well located in the same
15 quarter quarter section as the proposed well, and that no
16 permit to drill shall be approved unless accompanied by a
17 statement that all other such operators in that same quarter
18 quarter section have been notified.

19 And basically that's the only additional
20 rule change that they wanted, or addition to that Rule 102.

21 Q And do you know the reason for this pro-
22 posed change to this proposed rule?

23 A Basically the reason is to allow other
24 operators in that quarter quarter section to have their op-
25 portunity to voice their opinions on the drilling of addi-

1 tional wells, to protect their correlative rights, and to
2 make sure their operations weren't impeded.

3 Q Do you have proposed language for this
4 rule?

5 A Yes.

6 Q For this portion of the rule?

7 A Yes, it's in the form of Exhibit AA I
8 have sitting in front of me.

9 Q Just for the record why don't you read
10 that for us?

11 A All applications to drill shall be accom-
12 panied by a plat, Form C-102, which shall show any of the
13 wells located on the same quarter quarter section as the
14 proposed well.

15 No permit to drill shall be approved un-
16 less accompanied by a statement that the operator of any
17 such well on the same quarter quarter section has been given
18 written notice of the proposed application to drill.

19 Q Would that be looking at the proposed
20 rule from the July 10th hearing we had, three parts, A, B,
21 and C, is that going to be Sub-part D?

22 Is that how you want to designate it?

23 A I'm not sure how the Commission plans to
24 handle that. I guess we would take a look at that at the
25 time; I'm not sure.

1 Q Okay. Is that all your testimony on this
2 matter?

3 A Yes, it is.

4 Q Did you prepare or have you reviewed and
5 can you testify to the correctness of your Exhibit A?

6 A Yes, I testified to the correctness of
7 Exhibit A and I have reviewed it.

8 MR. TAYLOR: I'd like to move
9 the admission of Exhibit A.

10 MR. STAMETS: Exhibit AA, is it
11 not?

12 A AA, yes.

13 MR. STAMETS: The exhibit will
14 be admitted.

15 Are there questions of the wit-
16 ness?

17 MR. KELLAHIN: If the Chairman
18 please.

19

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CROSS EXAMINATION

21

BY MR. KELLAHIN:

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23

 Q Mr. Quintana, did Mr. Yuronka describe
for you a fact situation upon which his request is based?

24

 A No, he did not.

25

 Q Based upon your experience as an examiner

1 and an employee of the Division are you aware of any other
2 operator or working interest owner being affected by the
3 staking operations of another operator in an area?

4 A At this time I can say no, but then let
5 me qualify that, that I don't work in the District Office
6 and have direct contact with the operators to know of any
7 such happenings.

8 It may happen but since I don't work down
9 there, I don't have day-to-day contact with that.

10 Q What is your understanding, Mr. Quintana,
11 of the basis for having the applicant or the operator pro-
12 vide notice to these various individuals when he stakes a
13 well location? What's the purpose of it?

14 A Well, basically, if other landowners,
15 other operators would have the opportunity to voice their
16 opinions. Let's say, for example, I could think of one sit-
17 uation that may come to mind, if they're drilling fairly
18 close to another well and -- or they're directionally drill-
19 ling, or any other such type operation I can't think of at
20 this time that may, may affect a person's well that's in
21 that same quarter quarter section, I think that the opera-
22 tors should have a fair, fair say in whether it should af-
23 fect their operation or not.

24 It may not and we don't know, so that's
25 -- we think it would be fair to allow everybody to have that

1 opportunity to have their say so.

2 Q Have you contacted the District Supervi-
3 sors of the Division to determine within the Districts if
4 they are having difficulties or complaints from other opera-
5 tors about operators staking wells in -- in their districts
6 that are causing difficulty among operators?

7 A No, I have not at this time.

8 Q Thank you very much.

9 MR. STAMETS: Any other ques-
10 tions of the witness?

11 He may be excused.

12 Does anyone have any other tes-
13 timony that they wish to offer in this case?

14 MR. KELLAHIN: Mr. Chairman, I
15 think the members of the Regulatory Practices Committee on
16 the hearing in July expressed concern about the staking re-
17 quirements.

18 I have with me today Mr. Allan
19 Dees of Texaco, who's a member of that Committee.

20 He has reduced his comments in
21 a written form and I think they generally express the -- the
22 scope and direction of concern of most of the operators that
23 are members of our committee, and with your permission I'd
24 like to submit to you now, with further permission to submit
25 additional comments following the hearing during a comment

1 period, but Mr. Dees' written statement; perhaps not a con-
2 sensus, but it does represent an expression in writing of
3 the concerns that the association has with this particular
4 rule.

5 MR. STAMETS: Let me ask you a
6 question.

7 Mr. Yuronka has indicated that
8 he would be willing to -- to come up and testify in this
9 case if it were continued, and I'd like to ask you as repre-
10 sentative of the Oil and Gas Association to say whether you
11 believe that that -- that this case should be continued to
12 allow him to testify?

13 MR. KELLAHIN: In light of the
14 fact, Mr. Chairman, that most of the operators that have
15 contacted us believe that this rule is unnecessary; they be-
16 lieve it is an administrative nuisance; they think that the
17 staking of wells is often an insignificant act, and that the
18 staking can be done and restaked and moved and is sometimes
19 not an indication of a true intent to drill that location;
20 it may be done for lots of purposes.

21 We believe the customary prac-
22 tice of the operators is to work with landowners at the time
23 staking occurs.

24 We also believe that the Com-
25 mission's current rules and regulations provide adequate no-

1 tice to other working interest owners and operators when ac-
2 tual operations are inconsistent with statewide rules; for
3 example, if there's directional drilling, if there's well
4 locations that are too close to each other. It requires
5 hearings and requires administrative applications and
6 through that existing process, then, we believe that other
7 affected working interest owners and operators will become
8 aware and be notified of difficulties about actual well lo-
9 cations.

10 We believe the staking at this
11 point is -- is such a preliminary matter in most instances
12 that it should not become a concern of the Division, nor
13 should it be placed in terms of a rule that further requires
14 us to file additional papers and notices and what not.

15 Therefore, we would request if
16 Mr. Yuronka has a particular problem beyond which we've
17 heard today that justified the staking issue, and particu-
18 larly the notice to operators within a 40-acre tract, we
19 would like to hear his testimony and perhaps to allow every-
20 one an opportunity to determine how important this issue is,
21 we ought to hear this at a time that he could be present and
22 explain his position.

23 MR. STAMETS: In that event,
24 the Commission will continue Case 8645 to the Commission
25 Hearing which is scheduled for October the 17th.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR