

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 9 October 1985

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of HCW Exploration, Inc., for a nonstandard proration unit, unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. CASE 8729

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13 BEFORE: Gilbert P. Quintana, Examiner
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16 TRANSCRIPT OF HEARING

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

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

24 For HCW Exploration: W. Thomas Kellahin
25 Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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3 MR. QUINTANA: We'll call next
4 Case Number 8729.

5 MR. TAYLOR: Application of HCW
6 Exploration, Inc. for a nonstandard proration unit, unortho-
7 dox gas well location, and simultaneous dedication, Lea
8 County, New Mexico.

9 MR. KELLAHIN: If the Examiner
10 please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing
11 on behalf of the applicant and I have one witness to be
12 sworn.

13 MR. QUINTANA: Other appear-
14 ances in Case 8729?

15 If not, sir, would you please
16 stand up and be sworn in at this time?

17 (Witness sworn.)

18 DAVID T. SITES,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:
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DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Sites, would you please state your name, please, sir?

A David T. Sites.

Q And your last name is spelled S-I-T-E-S?

A Right.

Q Mr. Sites, by whom are you employed and in what capacity?

A HCW Exploration. I'm a production geologist.

Q As a production geologist have you previously testified before the New Mexico Oil Conservation Division?

A No, I have not.

Q Would you describe for the examiner when and where you obtained your degree in geology?

A I got my degree in 1980 from the University of Texas at the Permian Basin.

I worked approximately five years for the Union Oil Company of California as a geologist and approximately a year for HCW Exploration as a production geologist.

Q As a production geologist have you made a study of the facts surrounding this application by your company?

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A Yes, I have.

MR. KELLAHIN: We tender Mr. Sties as an expert production geologist.

MR. QUINTANA: Would you state, Mr. Sites, that your experience in this area was substantial or how many years in this area?

A I've worked as a production geologist for approximately three and a half to four years.

MR. QUINTANA: In this area?

A I've worked in New Mexico, not specifically in the Jalmat; for about the last year I've been working in the Jalmat in Lea County.

MR. QUINTANA: Fine. You are considered as an expert petroleum geologist.

You may proceed.

Q Mr. Sites, let me direct you to the plat that's marked Exhibit Number One and first of all have you identify for uss the 316-acre proration unit that's the subject of the application.

A Yes. It's the north half of Section 31, Township 23 South, Range 37 East.

Q What is the reason, to the best of your knowledge, that this north half of the section contains less than a standard 320-acre half section?

A The -- that I do not know.

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MR. KELLAHIN: If the Examiner please, I believe that the difference in acreage results as a condition of governmental surveys and for no other reason.

MR. QUINTANA: Fine.

Q Within the north half of Section 31, Mr. Sites, would you identify for Mr. Quintana the two wells that produce in the Jalmat to which you would like this acreage dedicated?

A Yes. It's the R. W. Cowden C No. 4, which is located in the northwest quarter of the section, and the R. W. Cowden C-9, which is located in the northeast quarter of the section.

Q What is your company's desire with regards to the simultaneous dedication of this acreage to the production of both these wells from the Jalmat?

A We wish to dedicate the north half of that section to -- simultaneously to both wells.

Q Would you describe -- well, the No. 9 and No. 4 Wells are obviously already in existence and producing.

A Yes, sir.

Q Would you describe for the Examiner briefly what occurred to cause this unit not to have been previously approved as a 316 acre unit?

A Yes, sir. In 1982 HCW Exploration sub-

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2 mitted a C-102 to drill the R. W. Cowden C No. 9 in the
3 northeast quarter of Section 31, located 800 feet from the
4 east line, 1650 feet from the north line of that section.
5 They wished at that time to dedicate 160 acres, representing
6 the northeast quarter of that section.

7 Q That information is contained on Exhibits
8 and Two and Exhibit Three of the packet?

9 A Yes.

10 Q All right, sir.

11 A We realized that this was a nonstandard
12 proration unit and we obtain waivers from all offset opera-
13 tors.

14 We received administrative approval for
15 that 160-acre proration unit.

16 Q And that's shown on Exhibit Number Three?

17 A Right.

18 Q All right, sir, then what happened?

19 A We drilled the well and completed it in
20 September of '82. We applied for infill drilling findings
21 and well spacing waivers and when we received Administrative
22 order NFL 71, signed by Mr. Ramey, we noticed there was a
23 316 -- 316 acres simulataneous dedication to both wells.

24 Q That's shown in Paragraph 4 of the Divi-
25 sion administrative order.

A Right.

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Q All right, sir.

A And also at that time we received a letter from Melba Carpenter for Jerry Sexton stating that we needed to -- that HCW should submit a C-105 -- a C-104 and two C-102's showing a shared 316-acre proration unit.

Q This is Exhibit Number Five?

A Right.

Q All right, sir.

A As approved by NFL 71.

This we did on December the 7th of '83 and we -- Warren began purchasing our gas and the well's been producing since -- since that date and we quite honestly overlooked sending in a new C-102 for the R. W. Cowden C-4 dedicating the northwest quarter of that section.

Q As a result of administrative oversight, then, this well was handled as if it had 316 acres dedicated to it.

A Correct.

Q And the paperwork with the Commission showed only the 116 acres -- 160 acres.

A Right.

Q All right. On Exhibit Number Seven on July 25th of '85, was HCW notified of its failure to obtain the appropriate approval for the two wells involved?

A That is correct.

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2 Q In response to that letter from Mr. Sex-
3 ton, which is Exhibit Number Seven, what then did you do,
4 Mr. Sites?

5 A We contacted the offset operators that
6 were affected and obtained their waivers, wishing to dedi-
7 cate a simultaneous dedication and a nonstandard -- an unor-
8 thodox location and a nonstandard proration unit, to simul-
9 taneously dedicate 316 acres to the R. W. Cowden C-4 and the
R. W. Cowden C-9.

10 Q For purposes of the record, Mr. Sites,
11 would you identify who the operators are?

12 A Doyle Hartman and Great Western Drilling
13 Company.

14 Q All right, sir.

15 Based upon your review of this matter,
16 Mr. Sites, in your opinion is the most effective and effi-
17 cient method by which to continue the production of the Jal-
18 mat by these two wells one which allows them to be produced
19 in any combination simultaneously, using a 316-acre spacing
and proration unit?

20 A Yes.

21 Q Your Exhibits One through Nine represent
22 documents from HCW's records that you know to the best of
23 your information to be true and accurate?

24 A Yes, sir.
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MR. KELLAHIN: That concludes our examination of Mr. Sites.

We move the introduction of Exhibits One through Nine.

MR. QUINTANA: Exhibits One through Nine will be entered as evidence.

Are there questions of the witness?

I have no questions. It seems very self-explanatory.

Mr. Sites may be excused.

If there is nothing further in Case 8729, Case 8729 will be taken under advisement.

(Hearing concluded.)

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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 (Commission) 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

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division