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I N D E X

WILLIAM G. McCOY

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MR. CATANACH: Call next Case
8941.

MR. TAYLOR: The application of
BCO, Inc. for a unit agreement, Sandoval County, New Mexico.

MR. CATANACH: Are there
appearances in this case?

MR. PADILLA: Mr. Examiner, Ernest L. Padilla, Santa Fe, New Mexico, for the applicant,
BCO, Inc.

I have one witness to be sworn.

MR. CATANACH: Are there other
appearances in this case?

Would the witness please stand
and be sworn?

(Witness sworn.)

WILLIAM G. McCOY,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. McCoy, for the record, would you

1 please state your name and tell us what your connection to
2 the applicant, BCO, Inc., is in this case?

3 A Yeah. William G. McCoy, Santa Fe, New
4 Mexico, consultant to BCO, Inc., in reference to the forma-
5 tion of a unit.

6 Q Mr. McCoy, have you previously testified
7 before the Oil Conservation Division and had your creden-
8 tials accepted as a petroleum engineer and a geologist?

9 A I have.

10 Q Are you familiar with the proposed unit
11 area and the proposed test for the unit area?

12 A I am.

13 MR. PADILLA: Mr. Examiner, we
14 tender Mr. McCoy as an expert for testimony here with regard
15 to the proposed unit area.

16 MR. CATANACH: Mr. McCoy is
17 considered qualified.

18 Q Mr. McCoy, let's turn first of all --
19 well, first let me ask you briefly what the purpose of the
20 hearing is today.

21 A The purpose of the hearing is to form a
22 640-acre unit in Section 32, Township 23 North, 7 West, San-
23 doval County, for the purpose of drilling a Chacra gas test.

24 Q Okay. Let's turn now to what we have
25 marked as Exhibit Number One and tell us what that is.

1 A Exhibit One is the unit agreement
2 proposed under the state form comprised of two state leases,
3 the west half and the east half of Section 32.

4 Q What is -- what is the name of the pro-
5 posed unit area?

6 A It's the Alamito Unit.

7 Q Okay, and what land does that cover?

8 A That covers all of Section 32, 23 North,
9 7 West, containing 640 acres in Sandoval County, New Mexico.

10 Q Under the unit plan of development who
11 would be the unit operator?

12 A BCO, Inc.

13 Q Okay. And to what formation is the ini-
14 tial well in the unit proposed?

15 A It is proposed to a 1975 foot Chacra
16 test.

17 Q And what depth would that well approxi-
18 mate?

19 A Well, the proposed depth is 1975 feet,
20 and the unit provides no requirement below 2600 feet.

21 Q Okay. Let's go on now to Exhibit A of
22 the proposed unit area, or the proposed unit agreement, and
23 tell us what that is.

24 A Exhibit A is an outline of Section 32, 23
25 North, 7 West, showing two tracts of land within the unit

1 area, being the west half of Section 32 and the east half,
2 both being state leases. No federal acreage or fee land is
3 in the unit area.

4 Q Okay, go on now to Exhibit B of that unit
5 agreement and tell us what that is.

6 A Exhibit B is a division of the two leases
7 showing the lessee of record, overriding royalty and the
8 working interest ownership.

9 Harry L. Bigbee owns 100 percent of the
10 working interest on both -- in both tracts.

11 Q Okay. Can you identify --

12 MR. PADILLA: Well, first of
13 all, Mr. Examiner, I'd like to request that administrative
14 notice of Oil Conservation Division Case 7300 be taken in
15 this case.

16 Case 7300 of the Oil Conserva-
17 tion Division was the application of Dome Petroleum Corpora-
18 tion for a tight formation application immediately south of
19 the proposed unit area. There is a wealth of information,
20 geologic and engineering data, that we have used in connec-
21 tion with this unit plan, which would be of assistance to
22 the examiner, should that be necessary.

23 MR. CATANACH: Thank you, Mr.
24 Padilla.

25 Q Can you explain Exhibit C of the unit

1 plan of development, Mr. McCoy?

2 A Exhibit C is a copy of Exhibit Two, Case
3 Number 7300, showing the structure contours on top of the
4 Chacra zone within the -- in the area immediately south of
5 Mr. Bigbee's unit.

6 The purpose is to show that it's general-
7 ly a northwest/southeast trending structure with the dip to
8 the northeast. The formation is stratigraphic and is occur-
9 ring along a strike within the limits of about plus 5000 to
10 plus 5400 datum.

11 Q Mr. McCoy, in your opinion is it reason-
12 able to conclude that the trend extends into the proposed
13 unit area?

14 A It does.

15 Q Let's go on to Exhibit Number D, Exhibit
16 D of that unit agreement and tell us what that is.

17 A Exhibit D or C?

18 Q I'm sorry, Exhibit C.

19 A C. Exhibit C is a summary of the geology
20 of the Rusty Chacra area presented in Case 7300, basically
21 explaining the previous statement of a strike in a different
22 formation including the fact that it's a low permeability
23 and porosity sand, and requires extensive fracture treatment
24 for production.

25 Q Okay, go on now to Exhibit D of the unit

1 agreement and tell us what it is.

2 A Exhibit D is again a summary Beta used in
3 Case Number 7300 showing the average reservoir conditions
4 within the Rusty Chacra area.

5 The permeability I think is the require-
6 ment for a tight sand is .07 millidarcys and the unstimu-
7 lated, unfractured flow rate is too small to measure, so it
8 shows the formation in order to perform has to be fractured.

9 Q Would the Chacra formation in your opin-
10 ion probably encounter the same reservoir characteristics in
11 the proposed unit area?

12 A I would expect the same reservoir
13 characteristics.

14 Q Let me hand you what we have marked as
15 Exhibit Number Two and have you tell the examiner what that
16 is.

17 A Exhibit Number Two is a letter from the
18 Commissioner of Public Lands regarding approval of the pro-
19 posed unit of BCO.

20 Q That's preliminary approval, is that --

21 A Preliminary approval.

22 Q Okay. Now let's go on to what we have
23 marked as Exhibit Number Three and have you tell the exam-
24 iner what that is.

25 A Exhibit Three is a map I've prepared to

1 satisfy my own knowledge of the area that the potential pro-
2 duction from the Chacra was viable in the area of the unit.

3 The black dots are oil wells which are
4 producing from the Gallup formation at approximately 5000
5 feet in the Alamito Gallup Field.

6 We do have one Chacra well completed in
7 the southeast quarter northeast quarter of Section 5. It
8 was completed in 1982 but I find no production listed in the
9 files and on the completion form it is shown as shut in.

10 It had a potential of 283 MCF and .4 bar-
11 rels of water. To my knowledge there has been no production
12 from this well since completion on 9-12-82.

13 Q Mr. McCoy, within the red square you have
14 identified on this exhibit I see an arrow. What is that?

15 A The arrow points to the proposed location
16 of BCO's No. 1 Federal 32 in the southwest quarter southeast
17 quarter of Section 32, proposed 1975 foot Chacra test.

18 Q You said a federal well. That would be a
19 state well, wouldn't it?

20 A Well, I mean a state, yeah. Federal on
21 the other side.

22 There is a potential for connection.
23 There's a gathering line that runs on the north line of the
24 south half of the south half of Section 32, so there is a
25 potential of a gas connection.

1 Q Mr. McCoy, in your opinion is the pro-
2 posed plan of development in the best interest of conserva-
3 tion and orderly development of the unit area?

4 A It is.

5 Q Do you have anything further to add to
6 your testimony concerning this application?

7 A I do not.

8 MR. PADILLA: Mr. Examiner, we
9 tender Exhibits One, Two, and Three, and pass the witness.

10 MR. CATANACH: Exhibits One
11 through Three will be admitted into evidence.

12

13 CROSS EXAMINATION

14 BY MR. CATANACH:

15 Q Mr. McCoy, what are the vertical limits
16 of the unit, or did you define the vertical limits?

17 A The proposed unit, I don't believe there
18 are any vertical limits to the unit.

19 Q I thought you said that this would just
20 not be for the Chacra but for any formations.

21 A All formations.

22 Q Your proposed well, is that at a standard
23 location?

24 A I think it's a topographic location in
25 that area. I noticed the actual footage on that test is,

1 let's see, 840 feet from the south line, 1800 from the east
2 line of the section.

3 And referring to the topographic map it
4 looks like most of the locations within the area are based
5 on topographic, but it would be a standard location for a
6 160-acre proration unit.

7 Q Okay.

8 MR. CATANACH: I have no fur-
9 ther questions of Mr. McCoy.

10 Are there any other questions
11 of the witness?

12 If not, he may be excused.

13 MR. PADILLA: Mr. Examiner, I
14 also understand this case is readvertised for the correct
15 acreage on it and an order will not be issued at the July --
16 until after the July 23rd, or on July the 23rd, is that cor-
17 rect?

18 MR. CATANACH: That is correct,
19 Mr. Padilla.

20 We have -- the advertisement
21 says 360 acres and it's supposed to be 640 acres.

22 We will readvertise it for the
23 23rd and issue an order just as soon as we can afterwards.

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25 (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 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. 894
heard by me on July 8, 1986.

David L. Catenach, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

6 August 1986

EXAMINER HEARING

IN THE MATTER OF:

The hearings called on Docket 23-86
for which no appearance or testimony
was presented.

CASE
8941

et al.
8912, 8934, 8936, 8955,
8820, 8957, 8939,
8940, 8958, 8995,
8961, 8962, 8948,
8849

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Jeff Taylor Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
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For the Applicant:

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I N D E X

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Case 8941

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Case 8912

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Case 8955

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Case 8934

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Case 8936

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Case 8820

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Case 8957

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Case 8939

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Case 8940

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Case 8958

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Case 8595

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Case 8961

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Case 8962

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Case 8948

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Case 8849

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MR. STOGNER: Call Case Number
8941.

MR. TAYLOR: Application of
BCO, Incorporated, for unit agreement, Sandoval County, New
Mexico.

MR. STOGNER: This case was
heard before Examiner Catanach on July 9th, 1986.

Due to an advertisement error
and to an extension to the acreage on the original case,
this case is being called for any additional testimony at
this time.

There being none, this case
will be taken under advisement.

(Hearing concluded.)

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MR. STOGNER: Call next Case
Number 8912.

MR. TAYLOR: Application of
Parabo, Incorporated, for salt water disposal, Lea County,
New Mexico.

MR. STOGNER: At the
applicant's request Case Number 8912 will be dismissed.

(Hearing concluded.)

MR. STOGNER: Call next Case
Number 8955.

MR. TAYLOR: Application of A.
L. Dawsey for an unorthodox oil well location, Rio Arriba
County, New Mexico.

MR. STOGNER: This case is
being dismissed pursuant to Division General Rule 1203.
Written notice was not received in sufficient time.

(Hearing concluded.)

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MR. STOGNER: We will call next Case Number 8934.

MR. TAYLOR: Application of Amstar Energy Corporation for salt water disposal, Lea County, New Mexico.

MR. STOGNER: This case was heard before Examiner Catanach at the July 9th, 1986, hearing.

Due an additional formation being added to this application, this case was readvertised for today for any additional testimony or comments.

Are there any?

There being none, this case will be taken under advisement.

(Hearing concluded.)

MR. STOGNER: Call next Case Number 8936.

MR. TAYLOR: Application of Santa Fe Energy Company for compulsory pooling, Eddy County, New Mexico.

MR. STOGNER: At the applicant's request, Case Numbre 8936 will be continued to the

1 Examiner's hearing scheduled for September 3rd, 1986.

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(Hearing concluded.)

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MR. STOGNER: Call next Case

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Number 8820.

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MR. TAYLOR: Application of

8

Santa Fe Energy Company for compulsory pooling, Eddy County,

9

New Mexico.

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MR. STOGNER: At the

11

applicant's request, Case Number 8820 will be continued to

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the Examiner's Hearing scheduled for September 3rd, 1986.

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(Hearing concluded.)

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MR. STOGNER: Call next Case

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Number 8957.

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MR. TAYLOR: Application of TXO

19

Production Corporation for a nonstandard proration unit,

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Eddy County, New Mexico.

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At the applicant's request,

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Case Number 8957 will be dismissed.

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(Hearing concluded.)

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MR. STOGNER: We will call next Case Number 8939.

MR. TAYLOR: Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: Case Number 8939 will be continued to the Examiner's Hearing scheduled for August 20th, 1986.

(Hearing concluded.)

MR. STOGNER: Call next Case Number 8940.

MR. TAYLOR: Application of Yates Petroleum Corporation for salt water disposal, Lea County, New Mexico.

The applicant has requested that this case be continued.

MR. STOGNER: Case Number 8940 will be continued also to the Examiner's Hearing scheduled for August 20th, 1986.

1 MR. STOGNER: Call next Case
2 Number 8958.

3 MR. TAYLOR: Application of
4 Amoco Production Company for hardship gas well
5 classification, Lea County, New Mexico.

6 The applicant has requested
7 that this case be continued.

8 MR. STOGNER: Case Number 8958
9 will be continued to the Examiner's Hearing scheduled for
10 September 9th. I'm sorry, September 17th, 1986.

11

12 (Hearing concluded.)

13

14 MR. STOGNER: Call next Case
15 Number 8950 -- I'm sorry, 8995.

16 MR. TAYLOR: In the matter of
17 Case 8595 being reopened pursuant to the provisions of Order
18 No. R-7983, which order promulgated temporary special rules
19 and regulations for the Northeast Caudill Wolfcamp Pool in
20 Lea County, including a provision for 80-acre spacing units.

21 MR. STOGNER: Upon the request
22 of interested parties, Case Number 8595 will be continued to
23 the Examiner's Hearing scheduled for September 3rd, 1986.

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(Hearing concluded.)

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MR. STOGNER: Call next Cases
Numbers 8961 and 8962.

MR. TAYLOR: Application of
Mesa Grande Resources, Incorporated, for a nonstandard gas
proration unit, Rio Arriba County, New Mexico.

MR. STOGNER: This case was --
yeah, these cases, I 'm sorry, were going to be readvertised
and continued for August 20th, 1986, for the addition of an
unorthodox oil well location.

At that time it will be
continued to the Commission hearing in September.

(Hearing concluded.)

1 MR. STOGNER: Call next Case
2 Number 8948.

3 MR. TAYLOR: The application of
4 Mesa Grande Resources, Inc., for compulsory pooling, Rio
5 Arriba County, New Mexico.

6 MR. CARR: Mr. Examiner, Mesa
7 Grande requests the case be dismissed.

8 MR. STOGNER: Case Number 8948
9 will be dismissed.

10

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(Hearing concluded.)

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MR. STOGNER: Call next Case
14 Number 8849.

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MR. TAYLOR: Application of
16 Southland Royalty Company for NGPA Wellhead Price Ceiling
17 Category Determinations, Lea County.

18

The applicant has requested
19 that this case be continued.

20

MR. STOGNER: Case Number 8849
21 will be continued to the Examiner Hearing scheduled for
22 September 3rd, 1986.

23

And with that, this hearing is
24 now adjourned.

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(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 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 Nos. 8912, 8934, 8936, 8955,
heard by me on 6 August 1986. 8920, 8957, 8939,
8940, 8958, 8995,
8961, 8962, 8948,
8849
Examiner
Oil Conservation Division

10/20/86

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

23 July 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of BCO, Inc., for a unit agreement, Sandoval County, New Mexico. CASE 8941

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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MR. STOGNER: Call next Case
Number 8941.

MR. TAYLOR: Application of
BCO, Incorporated, for a unit agreement, Sandoval County,
New Mexico.

MR. STOGNER: This case was
originally heard before Examiner Catanach on July 9th, 1986.

Again through an advertisement
error in the Rio Rancho Observer, Sandoval County, this case
had to be readvertised and continued for today's hearing.

At this time we would call for
any additional testimony.

Seeing there is none, this case
will be taken under advisement.

(Hearing concluded.)

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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. 8941,
heard by me on 23 July 1986,

Marion E. Hooper, Examiner
Oil Conservation Division