

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

24 October 1986

COMMISSION HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer CASE
Drilling Corporation for compulsory 9019
pooling and an unorthodox oil well
location, Rio Arriba County, New
Mexico.

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

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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I N D E X

ALBERT R. GREER

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2 MR. STAMETS: We'll call next
3 Case 9019.

4 MR. TAYLOR: The application of
5 Benson-Montin-Greer Drilling Corporation for compulsory
6 pooling and an unorthodox oil well location, Rio Arriba
7 County, New Mexico.

8 MR. CARR: May it please the
9 Commission, my name is Willoiam F. Carr with the law firm
10 Campbell & Black of Santa Fe, appearing on behalf of Benson-
11 Montin-Greer Drilling Corporation.

12 I have one witness, Albert R.
13 Greer. Mr. Greer was sworn this morning and I would ask
14 that the record reflect that he remains under oath and
15 qualified as a petroleum engineer.

16 MR. STAMETS: The record will
17 so show.

18 Are there any other appearances
19 in this case?

20 You may proceed.
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1 ALBERT R. GREER,
2 being called as a witness and having been sworn and re-
3 maining under oath, and qualified, testified as follows, to-
4 wit:

5
6 DIRECT EXAMINATION

7 BY MR. CARR:

8 Q Will you state your full name for the re-
9 cord?

10 A Albert R. Greer.

11 Q Mr. Greer, are you representing the ap-
12 plicant in this case, Benson-Montin-Greer Drilling Corpora-
13 tion?

14 A Yes, sir.

15 Q Are you familiar with the application
16 filed in this case?

17 A Yes, sir.

18 Q Are you also familiar with the subject
19 area?

20 A Yes, sir.

21 MR. CARR: Are the witness'
22 qualifications acceptable?

23 MR. STAMETS: They are.

24 Q Mr. Greer, would you briefly state what
25 Beonson-Montin-Greer Drilling Corporation seeks with its ap-

1 plication in this matter?

2 A Yes, sir. This is for the forced pooling
3 of a well within the Canada Ojitos Unit which there are a
4 few small outstanding tracts, and under this particular
5 tract under consideration today, there's a one-half interest
6 in 120 acres out of the 640-acre spacing unit.

7 Q Mr. Greer, are you also seeking an unor-
8 thodox location for a well on this tract?

9 A Yes, sir.

10 Q Would you refer to the first document
11 contained behind Tab A in Bensons-Montin-Greer Exhibit Num-
12 ber One and identify that, please?

13 A This is a orientation plat outlining the
14 Canada Ojitos Unit and how it lies with respect to the West
15 Puerto Chiquito Mancos Pool and the adjoining East Puerto
16 Chiquito Mancos Pool to the east.

17 Q The subject tract is shaded in blue?

18 A Yes, sir.

19 Q Is this a standard unit for the West
20 Puerto Chiquito Mancos Pool?

21 A Yes, sir.

22 Q Would you now refer to the second docu-
23 ment behind Tab A, identify that, and review it for the Com-
24 mission, please?

25 A This is a type log that shows the produc-

6
1 ing interval of the West Puerto Chiquito Mancos Pool, which
2 is the Niobrara member of the Mancos formation, and it's
3 identified here as it appears in two type logs that we've
4 used in this area in the past.

5 Q And the last page in Tab A would you just
6 identify that, please?

7 A This is a sheet out of the unit operating
8 agreement in which it identifies the main Mancos formation,
9 which is the -- identifies that part of the formation which
10 is within the participating area of the Canada Ojitos Unit.

11 Q Would you now go to the land plat behind
12 Tab B, refer to this document and review it for the Commis-
13 sion?

14 A This is a plat of Exhibit A to the Canada
15 Ojitos Unit Agreement which shows the land character, Fed-
16 eral, State, and fee land, and the different tracts within
17 the unit.

18 The west two sections approximately are
19 the third expansion area of the unit and has its own tract
20 numbering system. Lands east of that line are lands within
21 the Canada Ojitos Unit as it was expanded through the first
22 and second expansions and has its own tract numbering sys-
23 tem.

24 Also in that -- on this plat outlined in
25 red is the 640-acre tract, approximately 640-acres, all in

1 Section 19, 25 North, Range 1 West, which is the proration
2 unit we'd like to have force pooled.

3 Q And the acreage shaded in blue is the
4 Mountain States acreage?

5 A Yes, sir.

6 Q Have all interest owners other than Moun-
7 tain States Natural Gas Corporation committed their interest
8 to this proposed well?

9 A Yes, sir.

10 Q Would you review for the Commission your
11 efforts to obtain voluntary joinder in this well from Moun-
12 tain States Gas Corporation?

13 A Yes, sir. We've -- over a period of
14 years we've tried to get Mountain States to join the unit
15 and each time we drill a well in which they're involved, we
16 ask Mountain States to join.

17 We have difficult communicating with
18 Mountain States. We've talked to one of the people in the
19 office who passes information on to the owner of Mountain
20 States and in each instance we get a response that the own-
21 er, he thinks, would be interested and will get in touch
22 with us, but he never does; never answers his mail and never
23 answers his phone calls.

24 Q Would you review for the Commission the
25 documents contained behind Tab C of Exhibit Number One?

1 A This Tab C, the first sheet shows the
2 approximate -- the interest which would be owned by Mountain
3 States Natural Gas Corp. if they joined in the drilling of
4 this particular well, which is approximately 9 percent in-
5 terest.

6 Q And the next page?

7 A This is just a title review by Schutz Ab-
8 stract Company showing the ownership of Mountain States Nat-
9 ural Gas Corp. and that it was under -- has interest under
10 the subject lease, 1/2 interest.

11 Q And then finally the yellow sheets that
12 are behind Tab C?

13 A This is the last correspondence that we
14 had with Mountain States. We had earlier asked them to con-
15 sider joining in drilling the well and that we would be fil-
16 ing a compulsory pooling application if they did not join us
17 and by this last letter we transmitted an AFE to them, set-
18 ting out what the costs would be.

19 Q In your opinion has Benson-Montin-Greer
20 Drilling Corporation made a good faith effort to locate and
21 obtain the voluntary joinder of Mountain States Natural Gas
22 Corporation in this well?

23 A Yes, sir.

24 Q Will you now go to Exhibit Number -- or
25 Tab D in Exhibit Number One and identify that for the Com-

1 mission?

2 A That shows a copy of our AFE for the sub-
3 ject well; the drilling and completion on the first page,
4 the second page has the well's share of roads, and I be-
5 lieve, let's see if we had a pipeline out there. Between
6 the two pages we have the well equipment and the pipeline
7 estimated to connect the well to our system.

8 Q So these two documents contain not only
9 the well costs but all other charges which may be assessed
10 against nonparticipating interest owner.

11 A Yes, sir.

12 Q Are these figures in line with what's
13 being charged by other operators in the area?

14 A I believe they're very, very close to
15 what other operators costs run. Ours are a little higher
16 and ordinarily we use a larger frac treatment and we have
17 quite an extensive pipeline system to gather gas for rein-
18 jection. We gather oil through a central gathering system
19 and these costs add -- or are the main differences in the
20 cost of our wells compared to others.

21 Q What are the overhead and administrative
22 charges that will be assessed against Mountain States
23 Natural Gas Corporation as a nonparticipating interest owner
24 in this well?

25 A Those costs are shown on pages 3 and 4 of

1 this Section D of the -- of our exhibit.

2 The page three shows the basic rates set
3 out in the unit operating agreement which was effective
4 March 1, 1981.

5 The next page shows the escalated as they
6 are effective April 1, 1986.

7 Q And what rates are you recommending be
8 incorporated into the order?

9 A I would recommend they be the same as
10 used in the Canada Ojitos Unit, which is \$2360 a month now
11 for a drilling well, \$424.48 per month for a producing well.

12 Q And do you recommend that these figures
13 be incorporated into the order that results from today's
14 hearing?

15 A Yes, sir.

16 Q Are you prepared to make a recommendation
17 to the Commission as to the risk penalty that should be
18 assessed against Mountain States Natural Gas Corporation in
19 this well?

20 A All of the other wells that have been
21 forced pooled in this area have carried a 200 percent
22 penalty as the Commission defines penalty, and I see no
23 difference in this well.

24 The reservoir is very, I guess the word
25 would be erratic. It's possible to offset a good well and

1 come up with one that (unclear) very little.

2 Q It is possible, then, in your opinion
3 that a well at this location could not be an -- might not be
4 an economic success?

5 A It's entirely possible.

6 Q Does Benson-Montin-Greer Drilling Corpor-
7 ation seek to be designated operator of the well?

8 A Yes, sir.

9 Q Would you refer to what has been marked
10 as Tab E in Exhibit Number One and identify that for the
11 Commission?

12 A Yes, sir. This is just a surveyor's plat
13 of the proposed location.

14 Q And this location is unorthodox in what
15 respect?

16 A It's -- the standard location footage for
17 a well in this pool, West Puerto Chiquito Mancos Pool, is
18 1650 feet from the outer boundaries, and it was impossible
19 principally because of archaeological concerns to locate it
20 at that point.

21 We show on our topographic map, the next
22 page, the green colored sheet, the problems of terrain along
23 with archaeological problems, why we located where we have.

24 Q Who is the owner or who controls the off-
25 setting acreage?

1 A Offsetting acreage north, northeast,
2 east, southeast, and south is the Canada Ojitos Unit, and to
3 the west is Southland Royalty, the northwest Mallon has the
4 north half, I believe, of Section 13, and I don't know about
5 the south half of 13, how that's divided up now.

6 Q What did you say the standard setback was
7 for a well?

8 A 1650 feet.

9 Q And you are in excess of 1650 feet from
10 the western boundary of the spacing and proration unit, are
11 you not?

12 A Well, no, I believe we're not. Let's
13 see, yes, sir. Yes, sir.

14 Q You're only unorthodox toward to the
15 north, toward yourself.

16 A Right, to the north, un-huh. To the
17 west, it's 1900 feet to the west boundary.

18 Q Has notice been given of this application
19 to Mountain States Natural Gas Corporation as required by
20 Oil Conservation Commission rule?

21 A Yes, sir.

22 Q And is a copy of that letter what has
23 been identified as Benson-Montin-Greer Exhibit Number Two?

24 A Yes, sir.

25 Q Mr. Greer, in your opinion will granting

1 this application be in the best interest of conservation,
2 the prevention of waste, and the protection of correlative
3 rights?

4 A Yes, sir.

5 Q Was Exhibit Number One prepared by you or
6 compiled under your direction?

7 A Yes, sir.

8 MR. CARR: At this time, Mr.
9 Stamets, we would offer into evidence Benson-Montin-Greer
10 Exhibits One and Two.

11 MR. STAMETS: These exhibits
12 will be admitted.

13 MR. CARR: That concludes my
14 direct examination of Mr. Greer.

15

16 CROSS EXAMINATION

17 BY MR. STAMETS:

18 Q Mr. Greer, is the unorthodox location
19 closer to the western boundary of the Canada Ojitos than
20 would be allowed by a standard location?

21 A No, sir, it's about 300 feet away from
22 the boundary.

23 Q So no offset operator is being crowded?

24 A No, sir, no offset operator.

25 MR. STAMETS: Any other ques-

1 tions of the witness?

2 He may be excused.

3 Anything further in this case?

4 We will be issuing an order
5 granting the request in this case.

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7 (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 this portion of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR