

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date NOVEMBER 19, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
<del>Amolter</del> Sterling H. III Charles O. Foster	Cities Service Oil & Gas Corp Cities Service O & G Hixon Development Co.	MIDLAND, TX Midland TX Farmington NM
JOHN C. CORBETT Tommy Roberts Les Clements Bill Duncan	" " N.M. O. C.D. Exxon Corp.	" " ARTESIA, N.M. Midland, TX
C.C. KENNEDY Brahman Hayden	INDEPENDENT Borran Pennzoil	ALBQ Santa Fe Midland
Lawrence W. Bruce Paul Bruce James Groce Jim Bruce Luis L. Padilla Doug Davis James W. Rogers	PENNZOIL Barbara Fasten Hinkle Law Firm Padilla & Snyder Pennzoil Humble Petroleum Inc.	MIDLAND Midland, TX, SF SF Midland Midland

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NAME	REPRESENTING	LOCATION
Mr. I. Kelbkin	Kelbkin Kelbkin Agency	Santa Fe
W. J. Mufflin	Phillips Tutor	Odessa, TX
JOHN C. CURRIE	PHILLIPS PETROLEUM CO.	ODESSA, TX
Robert G. Strauss	Phillips Petroleum	Odessa, TX
Peter N. Ives	CAMPBELL BLACK, PHILLIPS PETRO	SANTA FE, NM
Dan Mullen	Cooper & Uge	Santa Fe

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

19 November 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Hixon Development Com- CASE  
pany for a non-standard oil proration 9040  
unit, San Juan County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

For the Applicant: Tommy Roberts  
Attorney at Law  
Farmington, New Mexico 88401

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## I N D E X

CHARLES FOSTER

Direct Examination by Mr. Roberts 3

Cross Examination by Mr. Catanach 10

## E X H I B I T S

Hixon Exhibit One, Plat 6

Hixon Exhibit Two, Map 8

1 MR. CATANACH: Call next Case  
2 Number 9040.

3 MR. TAYLOR: Application of  
4 Hixon Development Company for a non-standard oil proration  
5 unit, San Juan County, New Mexico.

6 MR. CATANACH: Are there ap-  
7 pearances in this case?

8 MR. ROBERTS: Mr. Examiner, my  
9 name's Tommy Roberts. I'm an attorney in Farmington, New  
10 Mexico.

11 I'm appearing today on behalf  
12 of the applicant, Hixon Development Company, and I have one  
13 witness to be sworn.

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

16  
17 (Witness sworn.)

18  
19 CHARLES FOSTER,  
20 being called as a witness and being duly sworn upon his  
21 oath, testified as follows, to-wit:

22  
23 DIRECT EXAMINATION

24 BY MR. ROBERTS:

25 Q Would you please state your name and your

1 place of business?

2 A My name is Charles Foster. I'm employed  
3 by Hixon Development Company at Farmington, New Mexico.

4 Q And what is your occupation with Hixon  
5 Development Company?

6 A I'm the Land Manager for the company.

7 Q Have you testified before the New Mexico  
8 Oil Conservation Division or Commission on any prior occa-  
9 sion?

10 A No, I have not.

11 Q How long have you been employed with  
12 Hixon Development Company?

13 A I've been employed by Hixon Development  
14 Company for three years.

15 Q And briefly describe your employment  
16 responsibilities.

17 A I'm responsible for all aspects of lease  
18 acquisition and lease management of the company's inventory.

19 Q Briefly describe your work experience  
20 prior to being employed by Hixon Development Company.

21 A I was employed in Texas as a contract  
22 lease broker for one and a half years.

23 Prior to that I was employed for four  
24 years in a high volume printing plant.

25 Q Describe the extent of the operations of

1 Hixon Development Company in the area of the Bisti-Lower  
2 Gallup Oil Pool in the San Juan Basin.

3 A Hixon Development Company has extensively  
4 developed areas within the Bisti-Lower Gallup Oil Pool to  
5 the extent that we have 85 wells in the area shown by Exhi-  
6 bit Two.

7 Q And are you directly familiar with the  
8 operations of Hixon Development Company in that area?

9 A Yes, I am.

10 Q Are you familiar with the application in  
11 this case?

12 A Yes, I am.

13 MR. ROBERTS: Mr. Examiner, I  
14 would tender Mr. Foster as an expert in the field of of pet-  
15 roleum land management.

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

18 Q Mr. Foster, would you briefly describe  
19 the purpose for this application?

20 A Our purpose for this hearing is to secure  
21 a stand-up 80-acre proration unit concomitant with the lease  
22 we are drilling on.

23 Q Is the proposed location for the well  
24 which you propose to drill a standard location?

25 A Yes, it is. The well will be located 990

1 feet from the north line and 1980 feet from the west line of  
2 Section 31, Township 25 North, Range 11 West.

3 Q And what pool do you propose to drill  
4 this well in?

5 A Bisti-Lower Gallup Oil Pool.

6 Q Briefly describe the rules applicable to  
7 the Bisti-Lower Gallup Oil Pool with respect to spacing and  
8 dedication.

9 A Rule 4 of Division Order R-1069-B man-  
10 dates that all development within the Bisti-Lower Gallup Oil  
11 Pool shall be on a laydown 80-acre spacing unit.

12 Q Describe the exception to the spacing and  
13 dedication rules applicable to this pool which you seek for  
14 this well.

15 A We desire a waiver by the OCD for a  
16 stand-up 80-acre spacing unit comprised of the east half of  
17 the northwest quarter of Section 31, Township 25 North,  
18 Range 11 West.

19 Q Explain the reasons for that request.

20 A We desire to develop the Bisti-Lower Gal-  
21 lup Oil Pool within the boundaries of our oil and gas lease  
22 and the term of the -- primary term of the lease expires on  
23 November 30th, 1986.

24 If you refer to Exhibit One, you'll see  
25 the surrounding leasehold and the status of the acreage

1 there.

2 If you note in Section 31 in yellow there  
3 is the acreage in question here and surrounding it is  
4 acreage that we have nominated from -- through the BLM for  
5 sale and it hasn't come up yet, as well as acreage held by  
6 the State of New Mexico and acreage subject to Public Land  
7 Order 5721.

8 Q You've identified Exhibit Number One then  
9 as an offsetting lease ownership plat. Are there any other  
10 facts relevant to this case which you've tried to depict on  
11 this exhibit? Point out the location of the well for the  
12 examiner.

13 A The location of the well will be in the  
14 northeast quarter of the northwest quarter of Section 31,  
15 Township 25 North, Range 11 West, pretty much in the north  
16 half of that east half of the northwest quarter.

17 Q And if you will, just identify the  
18 proposed spacing and proration unit for that well.

19 A We're proposing that you allow us to use  
20 the east half of the northwest quarter in that section  
21 there.

22 Q Which color have you used on this map to  
23 illustrate that acreage which is unleased Federal minerals?

24 A The unleased Federal minerals is shown in  
25 pink.

1           Q           And so the offsetting acreage comprising  
2 the west half of the northwest quarter is unleased Federal  
3 minerals at this time?

4           A           Yes, it is.

5           Q           Okay. Please turn to what's been marked  
6 as Exhibit Number Two and identify that exhibit, please.

7                       This is a fairly long one. You may just  
8 want to have one in front of you, Mr. Examiner.

9                       Go ahead and identify that exhibit.

10          A           Exhibit Number Two shows the -- in blue  
11 the current border for the Bisti-Lower Gallup Oil Pool to  
12 date.

13                      In yellow is shown exceptions to the lay-  
14 down 80-acre spacing units that have been mandated by the  
15 OCD, and shown in yellow with stripes is our proposed loca-  
16 tion for our well on a stand-up basis.

17          Q           Mr. Foster, are you familiar with,  
18 directly familiar with any of the exceptions to the spacing  
19 rules for this pool that you have depicted on the exhibit?

20          A           Yes, I am. If you will look in Township  
21 25 North, Range 13 West, which is on the left portion of  
22 your map, Section 2 and Section 13 are areas where there's  
23 been exceptions granted.

24                      In the other righthand eastern portion in  
25 Section 29 of Township 25 North, Range 11 West, there was an

1 exception there, also.

2 Q And in each of those cases the exception  
3 has been to permit establishment of spacing and proration  
4 units on an 80-acre stand-up basis?

5 A Yes, it has.

6 Q From a land perspective, Mr. Foster, what  
7 in fact will the approval of this application have on future  
8 development of the land immediately surrounding the lands  
9 within this proposed non-standard proration unit?

10 A The impact it will have is the west half  
11 of the northwest quarter, which can also be called Lots One  
12 and Two of Section 31, Township 35 North, Range 11 West,  
13 will have to be developed on a stand-up 80-acre basis, also.

14 Q In your opinion will the granting of this  
15 application result in the prevention of waste and the  
16 protection of correlative rights and be in the interest of  
17 conservation?

18 A Yes, it will because of the fact that all  
19 the minerals adjacent to our proposed location and spacing  
20 unit are owned by the Federal government.

21 Q And are you familiar with the notice re-  
22 quirements set forth in Rule 1207 of the rules of the New  
23 Mexico Oil Conservation Division?

24 A Yes, I am.

25 Q Have they been satisfied in this case?

1 A Yes, they have.

2 Q What is the proposed drilling commence-  
3 ment date for this particular well, Mr. Foster?

4 A The proposed commencement date is on or  
5 before November 30th, 1986.

6 Q And do you then request that the Oil Con-  
7 servation Division expedite its consideration of this appli-  
8 cation?

9 A Yes, I do.

10 Q Were Exhibits One through Two either pre-  
11 pared by you or under your supervision and at your direc-  
12 tion?

13 A Yes, they were.

14 MR. ROBERTS: I would move that  
15 Exhibits One and Two be admitted into the record, Mr. Exa-  
16 miner.

17 MR. CATANACH: Exhibits One and  
18 Two will be admitted as evidence.

19 MR. ROBERTS: I have no other  
20 questions on direct.

21

22

CROSS EXAMINATION

23 BY MR. CATANACH:

24 Q Mr. Foster, what is the Public Land Order  
25 that you mentioned?

1           A           It's Public Land Order 5721.   It's been  
2   dated from May 2nd, 1980, and it is the proposed BLM/Navajo  
3   Tribe exchange of lands in an area that is basically 25 or  
4   30 miles south of Farmington; covers the net land project.

5           Q           So how will that affect the northeast  
6   quarter of Section 31?

7           A           The northeast quarter of 31 has been sit-  
8   ting unleased at this point and it is essentially in limbo  
9   waiting for the acreage to change hands.

10                  As soon as it does, then it will go back  
11   into the mineral leasing -- or be subject to the mineral  
12   leasing laws.

13           Q           Mr. Foster, do you know any of the orders  
14   that allowed the exceptions that you cited on Exhibit Number  
15   Two? Do you have any of those by chance?

16           A           I have some in a file over here I can  
17   show you for the -- you mean for the particular tracts that  
18   are identified in Exhibit Number Two?

19           Q           Yes, I was looking for order numbers.

20           A           Yeah, I think I have them.

21                  In the case of Champlin Petroleum Company  
22   it's Order No. NSP 1481.

23                               MR. ROBERTS:   What -- can you  
24   tell what acreage that is?

25           A           I'm sorry, that covers Section 29, the

1 west half of the northwest quarter, of Township 25 North,  
2 Range 11 West.

3 Administrative Order NSP 1433, which  
4 covers the east half of the southeast quarter of Section 13,  
5 Township 25 North, Range 13 West.

6 Administrative Order NSP 1424 covers Sec-  
7 tion 13 of Township 24 North -- excuse me, 25 North, Range  
8 13 West.

9 And, let's see, I thought I had one here  
10 for Hicks, also. Order No. R-1069-H, which covers all of  
11 Section 2 of 25 North, Range 13 West.

12 That's all of them, sir.

13 Q In Section 2 those are all stand-up 80's?

14 A Yeah. The order says that -- that the  
15 applicant, Hicks Oil Company, is hereby granted an exception  
16 to Rule 2, and it's permitted the development of Section 2,  
17 Township 25 North, Range 13 West, San Juan County, New Mex-  
18 ico, on 80-acre oil proration units consisting of the north  
19 half, the south half, the east half, or the west half or any  
20 single governmental quarter section.

21 Q Mr. Foster, how will approval of this ap-  
22 plication affect the development of the west half of the  
23 northwest quarter of Section 34?

24 A It will affect it essentially by requir-  
25 ing that the west half of the northwest quarter also be de-

1       veloped on stand-up 80-acre units.

2                               MR. TAYLOR:   Who did you give  
3 notice to of this application?

4               A               We gave notice to Champlin Petroleum Com-  
5 pany, Norcen Explorer, Inc., and the Bureau of Land Manage-  
6 ment, and Chorney Oil and Gas.

7               Q               Mr. Foster, what's the closest well to  
8 your non-standard -- I mean to your standard location?

9               A               If you refer to Exhibit Two, that would  
10 probably show the closest wells, also all the wells in the  
11 area. That exhibit is up to date as far as wells are con-  
12 cerned.

13                               That would be the Bryan Simpson No. 1,  
14 directly to the east of our location.

15                               MR. CATANACH: Okay, I have no  
16 further questions of the witness.

17                               He may be excused.

18                               MR. ROBERTS: We have no other  
19 witnesses.

20                               MR. CATANACH: There being no-  
21 thing further in Case 9040, it iwll be taken under advise-  
22 ment.

23

24

(Hearing concluded.)

25

## 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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 9046  
heard by me on Nov 19, 1986

David R. Catorach, Examiner  
Oil Conservation Division