

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

2 April 1986

DIVISION HEARING

IN THE MATTER OF:

Application of the Oil Conservation Division on its own motion for exceptions to the Special Rules for the Gavilan-Greenhorn-Graneros Dakota and Gavilan-Mancos Oil Pools as promulgated by Division Orders Nos. R-7745 and R-7407. CASE 8854

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

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I N D E X

ERNIE BUSCH

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Division Exhibit One, Map

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Division Exhibit Two, Document

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Division Exhibit Three, Letter

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1
2 MR. STOCHNER: Call next Case
3 8854, which is the application again of the Oil Conservation
4 Division on its own motion for exceptions to the Special
5 Rules for the Gavilan-Greenhorn-Graneros-Dakota and Gavilan-
6 Mancos Oil Pools in Rio Arriba County, New Mexico.

7 The OCD seeks exceptions to the
8 spacing and one well per proration unit limitation provi-
9 sions of these Special -- Special Rules.

10 Call for appearances.

11 MR. TAYLOR: May it please the
12 Examiner, my name is Jeff Taylor, Counsel for the Oil Con-
13 servation Division and I have one witness who has already
14 been sworn.

15 MR. PEARCE: Mr. Examiner, I am
16 W. Perry Pearce of the Santa Fe law firm of Montgomery and
17 Andrews, appearing in this matter on behalf of Amoco Produc-
18 tion Company and I do not have a witness this morning.

19 MR. STOCHNER: Are there any
20 other appearances?

21 MR. KELLAHIN: Mr. Examiner,
22 I'm Tom Kellahin, Santa Fe, New Mexico, appearing on behalf
23 of Jerome P. McHugh and Associates.

24 MR. EMMENDORFER: And I'm Alan
25 Emmendorfer, a geologist, appearing for Mesa Grande Resour-

1 ces of Tulsa, Oklahoma.

2 MR. STOGNER: I'm sorry, sir, I
3 didn't catch your name.

4 MR. EMMENDORFER: Alan Emmen-
5 dorfer, E-M-M-E-N-D-O-R-F-E-R.

6 MR. STOGNER: Mr. Pearce, who
7 again are you representing?

8 MR. PEARCE: Amoco Production
9 Company, Mr. Examiner.

10 MR. STOGNER: Are there any
11 other appearances?

12 There being none, let the re-
13 cord so show that the only witness to appear in this case,
14 Mr. Ernie Busch, has previously been sworn in the proceeding
15 two cases.

16 Mr. Taylor.

17
18 ERNIE BUSCH,
19 being called as a witness and having been previously sworn
20 upon his oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. TAYLOR:

24 Q Mr. Busch, for the record would you state
25 your name, by whom you're employed and in what capacity?

A Yes. Ernie Busch. I'm employed by the
New Mexico Oil Conservation Division as a geologist for Dis-
trict III.

Q As District Geologist for the Oil Conservation Division District III, is one of your duties to study and make recommendations concerning the matters involved in Case 8854?

A Yes, it is.

Q And are you familiar with Case 8854 and
the matters contained therein?

A I am.

MR. TAYLOR: Mr. Examiner, I
tender the witness as an expert.

MR. STOGNER: Are there any objections?

There being none, Mr. Busch is
so qualified.

Q As a preliminary matter, Mr. Busch, I believe that you've made a change in your request in this case since it was advertised, is that correct?

A Yes, that's correct.

Q Could you please explain that to us?

A Yes. In Exhibit One of Case 8854 I've illustrated -- let me start again.

I have decided to eliminate from my ap-

1 plication those portions of Township 25 North, Range 2 West,
2 Rio Arriba County, New Mexico, of Section 20 -- excuse me,
3 of Section -- all of Section 19, that portion of Section 20,
4 that portion of Section 29 and all of Section 31 from my ap-
5 plication.

6 And, Mr. Examiner, Section 30, not 31; 31
7 is still in the application.

8 MR. STOGNER: Let's see if I
9 can get that straight.

10 In the docket today those are
11 described as part 4) and 5)?

12 A That is correct.

13 MR. STOGNER: Okay, and part 6)
14 also.

15 A And part 6).

16 MR. STOGNER: So there's three
17 portions in the docket to be removed, those being 4), 5),
18 and 6) that deal with Sections 19, 20, 29, and 30.

19 A That's right.

20 MR. STOGNER: Okay.

21 Q Your Exhibits One and Two do reflect the
22 current status of the case. You have already eliminated
23 those portions that you are seeking to eliminate now from
24 the exhibits.

25 A Yes, that's right.

1 Q Okay, Mr. Busch, would you please explain
2 to us what you are seeking in Case 8854?

3 A Yes, the formation of four nonstandard
4 proration units broken down into tracts A through D in Town-
5 ship 29 North, Range 2 West, Rio Arriba County, New Mexico,
6 to address those short sections on the western boundary of
7 that township.

8 Q In other words, because of the irregular
9 sections on the west portion of that township, Township 25
10 North, Range 2 West, you want to establish before too much
11 development occurs, proration units in that area.

12 A That's correct.

13 Q Is there anything you wish to obtain in
14 this case?

15 A Yes. I further wish to ask for an excep-
16 tion to the Special Pool Rules of the Gavilan-Mancos and the
17 Gavilan-Greenhorn-Graneros-Dakota Oil Pools to allow for a
18 second well, if reasonable, or if the operator so desires.

19 Q And could you explain why you're seeking
20 this?

21 A Yes. There's an on-going study right now
22 being conducted in behalf of the Gavilan area and it may
23 turn out that the spacing units -- that the drilling may
24 need to be denser or greater. It's hard to say at this
25 point. The opportunity to drill the second well would give

1 the operator more of an option in the area. Also because
2 the proration units are larger for the most part than stand-
3 ard 320-acre sections.

4 Q Are our proposals shown in the form of an
5 exhibit?

6 A Yes, they are.

7 Q Would you please identify this exhibit,
8 or exhibits, and explain what they show?

9 A Yes. Exhibit Number One, Case 8854, is a
10 copy of the United States Public Survey for Township 25
11 North, Range 2 West, calling for nonstandard proration units
12 for the Gavilan-Mancos and Greenhorn-Graneros-Dakota Oil
13 Pools, and they are illustrated in the form of Tracts A
14 through D.

15 Exhibit Number Two, Case 8854, lists
16 those tracts, the acreage contained in those tracts, sec-
17 tions, and the description of the acreage in those tracts.

18 Q Do you propose any rule on the location
19 of the second well in these proration units?

20 A No, I do not.

21 Q What are the producing formations in this
22 area, Mr. Busch?

23 A Again we have Pictured Cliffs, Mesaverde,
24 Mancos, Dakota -- excuse me, Mancos, Gallup, and Dakota.
25 There's also Greenhorn and Graneros, Graneros and Greenhorn

1 being part of the Dakota in this area.

2 Q And what spacing, if any, has been estab-
3 blished in this area prior to the hearing today?

4 A Yes, there is spacing established in this
5 area by the virtue of the Gavilan Pool Rules, and that would
6 be 320 acres, allowing one well per 320.

7 Q Would this proposal that you're making --
8 this, essentially, is -- is the same proposal that you made
9 in Case 8852 and 8853, which is tha because of the irregular
10 sections on the west half of this township you prefer to es-
11 tablish proration units at this time prior to heavy develop-
12 ment in the area?

13 A Yes, that is correct.

14 Q And is it your testimony that the esta-
15 blishment of these proration units will prevent waste and
16 protect correlative rights?

17 A Yes.

18 Q Have you received any support for this
19 proposal and have you met with operators in the area that
20 talked to them?

21 A Yes, I have. I have received support and
22 I've also accommodated another operator here by leaving this
23 portion that's in the docket 4), 5), and 6), out of the ap-
24 plication.

25 I received a letter from Mesa Grande Re-

1 sources in support of this -- of the formation of these non-
2 standard spacing units.

3 Q Okay.

4 A I'd like to enter that letter as an Exhi-
5 bit Three.

6 MR. TAYLOR: Mr. Examiner,
7 would you prefer that we mark this as an exhibit?

8 MR. STOGNER: Yes, I would.

9 Q Do you want to just briefly summarize
10 what's in the letter for us, Mr. Busch, and possibly any
11 conversations you may have had with Mesa Grande Resources?

12 A "From a geological standpoint," and I'm
13 quoting from the letter, "from a geological standpoint Mesa
14 Grande believes that the propose creation of the 505+ acre
15 nonstandard proration units and the allowance for the drill-
16 ing of the second well on those units, will cause a more
17 logical drilling pattern, result in an orderly development
18 program, insure better reservoir management, and prevent the
19 waste of reservoir energy."

20 So basically that's what the letter con-
21 tains.

22 Q Mr. Busch, would you describe any other
23 conversations you've had with other operators you've had in
24 the area and what their concerns may be regarding this case?

25 A Again with John Roe of Dugan it was felt

1 that the area needed to be addressed because of the short
2 sections, or irregular -- irregular sections, and then, of
3 course, Mesa Grande.

4 McHugh felt the same way; however, they
5 already have a couple of wells in the area that I've left
6 out of my application and they felt that at this time that
7 it would be better that they proposed their own standard
8 proration units.

9 Q And it was as a result of a case that
10 McHugh has brought that you have deleted sections 4), 5),
11 and 6) from this application.

12 A That is correct.

13 Q So essentially it's your testimony that
14 the reason for forming those proration units is that orderly
15 development can take place and that portions of this acreage
16 will not be left out due to movement of development that is
17 not planned beforehand.

18 A That's correct.

19 Q Do you have anything further to add in
20 this case?

21 A Not at this time. Oh, I would like to
22 say for the record, and I didn't bring them along with me, I
23 did prepare letters and send them to the major interest
24 holders in the area. The letters were in the form of the
25 advertisement that the Division published and many of them I

1 didn't get any response from.

2 Q Mr. Busch, were the Exhibits One, Two,
3 and Three either prepared by you or under your supervision
4 or received in the normal course of business?

5 A Yes.

6 MR. TAYLOR: I'd like to move
7 the admission of Exhibits One through Three.

8 MR. STOGNER: Are there any ob-
9 jections?

10 Exhibits One through Three will
11 be admitted into evidence at this time.

12 Mr. Pearce, your witness.

13

14 CROSS EXAMINATION

15 BY MR. PEARCE:

16 Q Mr. Busch, if we may for just a moment,
17 I'd like to focus on what you have labeled Tract A in your
18 Exhibit Number One.

19 A Yes.

20 Q Before we begin looking at that specific
21 tract, I understand from the advertisement of this case they
22 were seeking exceptions to the Special Pool Rules of the
23 Gavilan-Graneros-Greenhorn-Dakota Pool and the Gavilan-Man-
24 cos Oil Pool, is that correct?

25 A That's correct, Mr. Pearce.

1 Q Can you on Exhibit One indicate to me
2 where the pool boundaries of those pools are located?

3 A Yes, I can. The -- on Exhibit One the
4 north boundary, the northern boundary of Section 17 is the
5 furthest extent of the Gavilan Pools at this time.

6 Q I'm sorry, the top of the map on Exhibit
7 Number One is the northern boundary of the Gavilan?

8 A No, the top of Section 17 or the top of
9 Tract C.

10 Q The top of Tract C.

11 A yes.

12 Q All right, and can you delineate for me,
13 please, the eastern or western boundary of the Gavilan?

14 A Yes. The western boundary of the Gavilan
15 is the western boundary of the township line for the most
16 part. I believe -- Mr. Pearce, I don't recall whether or
17 not Section 31 and 32 -- yes, Section 31 and 32 are a
18 portion of the Gavilan Pool at this time.

19 Q All right, let me, if I may, just look
20 over your shoulder and show me where -- the corner that you
21 just pointed out to me. We're talking about the northern
22 boundary of Tract C and the western boundary is what, sir?

23 A The western boundary is this -- is this
24 boundary, and Tract C, this is the top of the Gavilan Pool
25 at this time.

1 Q Okay, so the northwest corner of the
2 Gavilan is the left, the far lefthand margin, the line be-
3 tween Tracts B and C, is that correct?

4 A No. Lots 1 and 2 of Section 18 are not
5 in the Gavilan at this time.

6 Q Would you take my pen, please, sir, and
7 my copy of Exhibit Number One and sketch that boundary for
8 me, please?

9 A As I recall.

10 Q Yes, and that's subject to check.

11 A Yes, it is.

12 Q Thank you, sir. Let's chat about our re-
13 collection here. We may want to mark this as an exhibit,
14 I'm not sure.

15 As I recall the rules, Mr. Busch, special
16 pool rules are applicable to areas within one mile of the
17 boundary of the pool itself. Is that true of the Gavilan
18 Pool rules?

19 A Yes, it is.

20 Q And is Tract A within one mile of the
21 boundary of the Gavilan Pool?

22 A No, no, it is not.

23 Q Then the Special Pool rules for which you
24 seek an exception are not applicable to Tract A, are they?

25 A I might say, Mr. Pearce, that because of

1 the administrative ease that it creates in eliminating the
2 administrative burden, we have conventionally in our dis-
3 trict for many years now extended pools beyond the one mile
4 limit, not by official nomenclature but by your district
5 provision.

6 Q That is not anywhere in the rules, is it,
7 Mr. Busch?

8 A No, it is not.

9 Q So there is no rule which would make an
10 operator in Tract A subject to the Gavilan rules.

11 A No, only -- only through the District --

12 Q All right, sir. You mentioned in your
13 testimony that there was an on-going study in progress in
14 the Gavilan area, is that correct?

15 A Yes, that is correct.

16 Q Who's conducting that study?

17 A A number of operators that are in the
18 Gavilan are getting together a study committee headed out by
19 Jerome P. McHugh and Associates. That committee will be
20 headed by Gary Johnson of Jerome P. McHugh.

21 Q What's the purpose of that study, sir, if
22 you know?

23 A To determine whether or not waste is oc-
24 curring in the Gavilan and whether or not a reservoir main-
25 tenance should be undertaken.

1 Q And I understood your testimony to be
2 that the results of that study might be an indication of
3 either denser -- more dense or less dense spacing being ap-
4 propriate for Gavilan, is that correct?

5 A That's correct, Mr. Pearce.

6 Q Okay. The advertisement of this case
7 contained the three tracts that you have eliminated from the
8 application, which were Tracts Nos. 4, 5, and 6 in the pub-
9 lic advertisement.

10 A Yes.

11 Q I believe you testified that those were
12 eliminated from consideration in this case as an accommoda-
13 tion to an operator, is that correct?

14 A Yes, that's correct.

15 Q And that was because that operator
16 presently has its own nonstandard provision unit case pro-
17 ceeding?

18 A That's right.

19 Q And before the development of any tract
20 on other than statewide spacing if there are no special pool
21 rules applicable, if spacing other than statewide spacing
22 were desired, a case would have to be brought before the Oil
23 Conservation Division, would it not?

24 A That's correct.

25 Q So that when you say that if necessary to

1 space these tracts at this time in order to facilitate or-
2 derly development, wouldn't that orderly development not be
3 provided by the normal process of the operator who intended
4 to develop those tracts approaching the Division with what
5 he believed was the appropriate spacing?

6 A I think that from the standpoint of that
7 particular operator, yes, but in terms of the offsetting
8 operator and protecting that -- the correlative rights of
9 those offsetting operators being protected, we need to -- we
10 need to look at that aspect as well, Mr. Pearce.

11 Q With regard to the spacing which under
12 the rules of the Oil Conservation Division is presently ap-
13 plicable to Tract A, what would the statewide spacing on
14 that tract be?

15 A 40 acres for oil, 160 for gas.

16 Q Are you familiar with the case which was
17 numbered 8822, previously heard by one of the Oil Conserve-
18 tion Division's Examiners? That was an application by Amoco
19 Production Company for the formation of a special pool in
20 the Ojito area?

21 A I'm -- I'm somewhat familiar with it.

22 Q And are you aware that that application
23 sought 160-acre spacing in the tract immediately cornering
24 to the northwest of this Tract A and was denied by the Oil
25 Conservation Division?

1 A I am.

2 Q And on the basis of that denial that
3 tract cornering to the northwest is presently spaced on 40
4 acres, is that correct?

5 A That's correct.

6 Q My summary of this, sir, would lead me to
7 believe that cornering to the northwest we have acreage
8 which is spaced on 40 acres. We have statewide spacing
9 rules which calls for 40 -- in Tract A calls for 40-acre oil
10 spacing and 160-acre gas spacing. More than a mile away we
11 have a pool that has special pool rules which call for 320-
12 acre spacing, and this application seeks 500-acre spacing
13 for Tract A, with the option of a second well if the opera-
14 tor desires.

15 Q Mr. Busch, I notice that the letter which
16 has previously been introduced as Exhibit Number Three
17 references Case Number 8838.

18 A Yes.

19 Q We are here dealing with Case 8854.

20 A Yes, that's correct, Mr. Pearce, uh-huh.

21 Q Could you explain the different to me,
22 please, sir?

23 A Yes. That 88 -- Case 8838, was it, Mr.
24 Pearce?

25 Q Yes, sir.

1 A Was dismissed because the Division did
2 not notify the operators, interest owners -- oh, excuse me.
3 The Division didn't file an application to be put in the
4 file for 8838 to inform the public of what -- of what was
5 taking place.

6 Q That was the 10-day rule, Mr. Busch?

7 A That was the 10-day rule, Mr. Pearce.

8 Q The letter from Mesa Grande Resources
9 does not appear to me to specify what acreage Mesa Grande
10 has an interest in. Do you know which of the tracts they
11 hold an interest in?

12 A Yes, for the most part. Let me clarify
13 that by saying I know where they have drilled wells.

14 There are two wells currently, one in
15 Section 8 of 25 North, 2 West, and one in Section 17, and
16 I'm not real sure what other acreage they do have.

17 Q So far as you know does Mesa Grande Re-
18 sources hold any interest in Tract A?

19 A So far as I know, no.

20 Q Thank you, Mr. Busch.

21 MR. PEARCE: I have nothing
22 further at this time, Mr. Examiner.

23 MR. STOGNER: Mr. Kellahin,
24 your witness.

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CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Busch, I'd like to take your plat,
which is Exhibit Number One --

A Yes.

Q -- and have you help me update it in
terms of where you understand wells to have been drilled in
the Gavilan-Mancos Pool.

Let's start with your proposed nonstand-
ard Unit A. Within the short section, which I think is 6 --

A Uh-huh.

Q --and immediately to the east in the full
Section 5, am I correct in understanding that there are no
Gavilan-Mancos wells in either of those two sections?

A You are correct, Mr. Kellahin.

Q When we go down to your proposed B --

A Yes.

Q -- in short Section 7 there are no wells
but over in Section 8 there is a Mesa Grande well?

A That is correct.

Q And that is a Gavilan-Mancos well?

A That is correct.

Q Do you know, sir, what the proration unit
Mesa Grande has assigned to that well for that pool?

1 A Yes. They -- they have taken a stand-up
2 320-acre, the west half of Section 8, proration unit.

3 Q Let's drop down into the next tier. In
4 short Section 18 there's no well but in 17, the adjoining
5 full section to the east, there is a Mesa Grande Gavilan-
6 Mancos well?

7 A That is correct.

8 Q And in what orientation is that proration
9 unit?

10 A That's also a stand-up.

11 Q Will that be an east half or a west half
12 for that well?

13 A It will be a west half.

14 Q The next tier down is -- 19 is the short
15 section, no well for that pool in that section, is that cor-
16 rect?

17 A That's correct.

18 Q Moving to the east, then, Section 17 is
19 the full section. I'm sorry, that would be Section 20.

20 A Uh-huh.

21 Q Section 20, are there any Gavilan-Mancos
22 wells in 20?

23 A Yes.

24 Q All right, and what is the proration
25 unit?

1 A 320 acres.

2 Q And the orientation?

3 A It's a stand-up, Mr. Kellahin.

4 Q And that would be a west half.

5 A West half, uh-huh.

6 Q Okay, and that's Mr. McHugh's well?

7 A That's correct.

8 Q Then we get down below that, the next

9 short section is 30. No Gavilan-Mancos well.

10 Then we look to the east into Section 29.

11 A Yes.

12 Q Are there Gavilan-Mancos wells? If so,

13 what's the orientation of the proration units?

14 A Those are currently standing up, Mr.

15 Kellahin. Section 29, east and west half.

16 Q All right, those are both Mr. McHugh's

17 wells in that section?

18 A That's correct.

19 Q And that section, then, is fully developed

20 in the Mancos.

21 A Yes.

22 Q It's got two wells in the section.

23 A Yes.

24 Q Both stand-up.

25 A Yes.

1 Q All right, we get down into the last pro-
2 posed nonstandard unit D, the short section is 31, there's
3 no Gavilan-Mancos well?

4 A No.

5 Q And immediately to the east in Section 32
6 is there a Gavilan-Mancos well in that section?

7 A No.

8 Q Okay. Let me go back to the beginning,
9 Mr. Busch, and have you explain to me again what the basis
10 is for having the Division establish a pattern for solving
11 the short section problem that appears in here because of
12 the governmental surveys. What's the basis upon which
13 you're doing this?

14 A To insure an orderly development, protec-
15 tion of correlative rights.

16 Q The proposed method to insure the orderly
17 development, the proper location of wells and the protection
18 of correlative rights, the choice of solutions that you have
19 chosen for some of these sections is to combine the short
20 section with acreage out of the standard section immediately
21 to the east.

22 A Yes, that's right.

23 Q As part of that solution, then, you come
24 up with a total acreage for the nonstandard unit. How do
25 you propose to handle the allowable for the well that's in

1 that nonstandard unit in relation to a standard 320-acre al-
2 lowable in the Gavilan-Mancos?

3 A For the top allowable for my proposed
4 nonstandard proration units would be in the proportion that
5 the number of acres in the tract bears to a standard unit in
6 the pool.

7 Q All right, so that there will be an ac-
8 reage factor applied to the nonstandard unit --

9 A Yes, sir.

10 Q -- rather than simply giving them a regu-
11 lar 320-acre allowable, that allowable for your nonstandard
12 would be greater --

13 A Because it has --

14 Q -- because it has more acreage.

15 A Yes, sir.

16 Q That is at least one choice in your opin-
17 ion, I understand, that you think would be adequate to pro-
18 tect the correlative rights.

19 A Yes, sir.

20 Q All right, let's look at another choice
21 or solution.

22 When we look at the McHugh acreage in 20
23 and 29 in the adjoining short section, another choice, as
24 Mr. McHugh has proposed, would be to simply create a non-
25 standard proration unit consisting of simply Section 19.

1 A That's correct.

2 Q And then another one consisting of simply
3 Section 30.

4 A Yes.

5 Q All right. The allowable for wells
6 drilled in each of those undersized units would also be an
7 acreage factor allowable and it would be less than the
8 standard 320-acre allowable, would it not?

9 A That's correct.

10 Q In your opinion, Mr. Busch, would that
11 also provide a different solution to the same problem and
12 result in orderly development?

13 A In -- in their particular situation, be-
14 cause of the acreage being diluted by the wells that they've
15 already drilled, it would probably be a reasonable solution
16 to their particular problem.

17 Q You don't have any objection, then, I
18 guess, to Mr. McHugh's proposed solution for the short sec-
19 tions, at least those that are involved in this case?

20 A Not on that basis.

21 Q All right, do you have any objection to
22 it on any other basis?

23 A I think that it could create problems in
24 terms of correlative rights if it were extended beyond that
25 area.

1 Q And that's why you have sought, then, to
2 have the balance of the short sections included in a solu-
3 tion as you've proposed in this case that we're talking
4 about now.

5 A Yes, that's correct.

6 Q And I guess the only other operator then
7 that's affected in this immediate area that has a Gavilan-
8 Mancos well is Mesa Grande.

9 A That's correct.

10 Q And at least for that company and their
11 position for their section, they support your solution.

12 A That's right.

13 Q All right. Thank you, Mr. Busch.

14 MR. KELLAHIN: I have no fur-
15 ther questions.

16 MR. STOGNER: Thank you, Mr.
17 Kellahin.

18 Mr. Taylor, any redirect?

19 MR. TAYLOR: No, sir.

20

21 CROSS EXAMINATION

22 BY MR. STOGNER:

23 Q Mr. Busch, so I can understand here, in
24 Section Number 8 there is a well in the west half?

25 A Yes, Mr. Stogner, that's correct.

- 1 Q And whose well is that one?
- 2 A That belongs to Mesa Grande.
- 3 Q And it's producing from what formation?
- 4 A From the Gavilan-Mancos and the Gavilan-
- 5 Greenhorn-Graneros-Dakota.
- 6 Q Immediately to the west --
- 7 A Yes.
- 8 Q -- in Lots 1, 2, 3, and 4, who are the
- 9 leasehold operators there?
- 10 A That is, for the most part, Mesa Grande,
- 11 that's only belief, I don't know.
- 12 Q Is it foreseeable that there could be
- 13 some other leasehold operators or leaseholders?
- 14 A Yes, it's -- it's possible.
- 15 Q Now do these leaseholders, as it is now,
- 16 are they allowed to develop that acreage, being all of Sec-
- 17 tion in this case?
- 18 A They would need a nonstandard proration
- 19 unit, wouldn't they, Mr. Stogner?
- 20 Q I don't know, Mr. Busch, you answer the
- 21 question.
- 22 A Yes, they would need a nonstandard prora-
- 23 tion unit.
- 24 Q Okay. If they obtained a nonstandard
- 25 proration unit would they be allowed to develop their ac-

1 reage?

2 A Yes.

3 Q Okay. If they did not wish to be joined
4 in, would they have to be force pooled?

5 A You mean if we form these nonstandard
6 proration units as they are as 500-acre jobs and --

7 Q Yes, sir.

8 A Yes, that's conceivable.

9 Q Let's drop down to Section 17.

10 A Okay.

11 Q You said there was a well in the west
12 half there, is that correct?

13 A Yes.

14 Q And whose well is that?

15 A That belongs to Mesa Grande.

16 Q And it is producing from what formation?

17 A From the Gavilan-Mancos and the Gavilan-
18 Greenhorn-Graneros-Dakota.

19 Q Over in Section 18, who are the leasehol-
20 ders over there?

21 A I don't know, Mr. Stogner.

22 Q Again I'm going to ask the question, were
23 all leaseholders in this proposed areas notified pursuant to
24 --

25 A I don't have a lease map. I'm not a

1 landman so I notify operators of record.

2 MR. STOGNER: I have no further
3 questions of Mr. Busch.

4 Are there any other questions
5 of this witness.

6 MR. CHAVEZ: Mr. Stogner?

7 MR. STOGNER: Mr. Chavez, would
8 you please stand and identify yourself?

9 MR. CHAVEZ: Frank Chavez, Dis-
10 trict Supervisor, Aztec, for the OCD.

11

12 QUESTIONS BY MR. CHAVEZ:

13 Q Mr. Busch, in the past has the Oil Con-
14 servation Division or Commission presented cases to consoli-
15 date acreage and form nonstandard proration units where
16 there are short sections because of government land surveys?

17 A Yes, Mr. Chavez, a number of times.

18 Q Did, in preparation of this -- these non-
19 standard proration units, did you discuss, or try to come up
20 with several different alternatives besides the one that you
21 did present today?

22 A Every conceivable alternative that I
23 could think of, yes.

24 Q Were those also discussed with the
25 operators of record in the area?

Q Is the one you've presented the most ac-
to the operators you discussed the alternatives

Q In your proposal for Drill Tract A, which within a mile of the present pool boundaries of the Mancos or Gavilan-Greenhorn-Graneros-Dakota, will it be drilled only if a well drilled in that area is determined to be within that pool?

Q So conceivably a well drilled in there determined to not be within the pool and therefore all tract would not apply to it?

MR. CHAVEZ: That's all the

Any other questions?

BY MR. STOGNER:

Mr. Busch, when was the last time the

1 Division did this?

2 A Extended the --

3 Q No, the nonstandard proration unit be-
4 cause of --

5 A The nonstandard proration unit -- I think
6 Mr. Chavez did it in 1979.

7 Q And you said it had been done several
8 times previous to that.

9 A Yes. Mr. Kendrick, Al Kendrick, District
10 Supervisor, and I believe he was in the capacity of District
11 Engineer, presented some applications for nonstandard prora-
12 tion units.

13 MR. STOGNER: Are there any
14 other questions of Mr. Busch?

15 There being none, he may be ex-
16 cused.

17 MR. EMMENDORFER: Mr. Examiner,
18 if I may say something on behalf of Mesa Grande Resources.

19 MR. STOGNER: Please step for-
20 ward.

21 MR. EMMENDORFER: As noted on
22 Exhibit Number Three, which is our letter of support, it was
23 initially for Case Number 8838 and as it was not advertised
24 properly, I believe it still stands for Case 8854, as was
25 advertised, since they both were the same seven parcels.

1 Also may I say that Case 8854
2 was advertised and it was discussed with personnal at Mesa
3 Grande Resources by Mr. Busch, and we were under the impres-
4 sion that -- until this morning, that that case was going to
5 be heard in its entirety with all seven, and we were not,
6 until 8:00 o'clock this morning before this hearing took
7 place, that portions fo the original case were going to be
8 asked to be excluded.

9 I may also state Mesa Grande's
10 acreage position to some extent, I'm just a geologist and I
11 don't know the true land picture, but I do know that Mesa
12 Grande does contain acreage within Parcel A. Mesa Grande
13 Resources owns all the acreage in B and in C, as far as I'm
14 aware of, and I might also say that we own acreage in the
15 north half of Section 19, which this morning is going to be
16 excluded from Case Number 8854, but is going to be affected
17 by McHugh's case to be held in a few weeks, and it's under
18 our impression that the north half of Section 19 is a part
19 of the same lease as in the part of the Section 18, and it's
20 the same lease. I believe it's Federal and it is adjoining,
21 and we feel that since it was within the one mile limit of
22 the Gavilan-Mancos and the Gavilan-Greenhorn-Graneros-Dako-
23 ta, that it would not be logical that this one lease be sub-
24 ject to two different nonstandard proration units within the
25 Gavilan-Mancos or the Gavilan-Greenhorn-Graneros-Dakota.

1 So we'd just like to go on re-
2 cord to say that we are a major leaseholder in the area and
3 that we do support the State's case as originally proposed
4 in the advertisement.

5 Thank you.

6 MR. STOGNER: Thank you, Mr.
7 Emmendorfer.

8 I believe we're now ready for
9 closing statements. Mr. Kellahin, I'll let you go first.
10 Mr. Pearce, you may follow, and then, Mr. Taylor, I'll let
11 you go -- come in last.

12 MR. KELLAHIN: Thank you, Mr.
13 Stogner. I'll waive a closing statement.

14 MR. STOGNER: Thank you, Mr.
15 Kellahin. Mr. Pearce.

16 MR. PEARCE: Thank you, Mr.
17 Stogner, just very briefly.

18 We have two concerns about the
19 case as it relates to Tract A. The first is a procedural
20 concern. The case is advertised as being an exception to
21 special pool rules, which under the rules of the Oil Conser-
22 vation Division are not applicable to the tract in question.

23 Our second concern is substan-
24 tive and that is that the witness has testified that there
25 is on-going study, that there is (not understood) acreage

1 with different spacing, and that they are not sure what the
2 spacing ought to be, and it sounds to us that, at least as
3 to Tract A, this case is therefore premature.

4 Thank you, Mr. Examiner.

5 MR. STOGNER: Thank you, Mr.
6 Pearce.

7 Mr. Taylor.

8 MR. TAYLOR: Mr. Examiner, I'll
9 waive a closing statement.

10 MR. STOGNER: Thank you, Mr.
11 Taylor.

12 Does anybody else have anything
13 in Case 8854?

14 If not, this case will be taken
15 under advisement.

16

17 (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. 8854
heard by me on 2 April 1986.
Michael E. Hogan Examiner
Oil Conservation Division

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

19 March 1986

DIVISION HEARING

IN THE MATTER OF:

Disposition of cases called on
Docket No. 10-86 for which no tes-
timony was presented.

CASE 8852,
8853, 8854,
8839, 8855,
8773, 8798,
8806, 8856,
8857.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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