

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9923

EXAMINER HEARING

IN THE MATTER OF:

Application of Santa Fe Energy Operating  
Partners, L. P., for Surface Commingling,  
Lea County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 16, 1990

**ORIGINAL**

CUMBRE COURT REPORTING  
(505) 984-2244

## A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Divison  
State Land Office Building  
Santa Fe, New Mexico

FOR THE APPLICANT:

JAMES G. BRUCE, ESQ.  
THE HINKLE LAW FIRM  
500 Marquette NW #740  
Albuquerque, NM 87102

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1 HEARING EXAMINER: At this time I'll call  
2 Case No. 9923.

3 MR. STOVALL: Application of Santa Fe  
4 Energy Operating Partners, L. P. for surface  
5 commingling, Lea County, New Mexico.

6 HEARING EXAMINER: Call for appearances.

7 MR. BRUCE: Mr. Examiner, my name is Jim  
8 Bruce from the Hinkle Law Firm in Albuquerque,  
9 representing the Applicant, and I have two witnesses  
10 to be sworn.

11 HEARING EXAMINER: Are there any other  
12 appearances in this case?

13 Will the witnesses please stand to be  
14 sworn.

15 VERNON DWAYNE DYER,  
16 the witness herein, after having been first duly sworn  
17 upon his oath, was examined and testified as follows:

18 EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you please state your full name and  
21 city of residence, please?

22 A. Vernon Dwayne Dyer. I live in Odessa,  
23 Texas.

24 Q. Who are you employed by and in what  
25 capacity?

1           A.       I'm the district landman for Santa Fe  
2 Energy Operating Partners, L. P.

3           Q.       Have you previously testified before the  
4 OCD as a landman?

5           A.       No, I have not.

6           Q.       Would you please state briefly your  
7 educational and employment background?

8           A.       College degrees from College of Southwest  
9 and Texas Tech. Additional graduate work at Texas  
10 Tech. I have been in the oil business 24 years, 18 of  
11 it as a landman. I'm a certified petroleum landman.

12          Q.       How long have you worked for Santa Fe  
13 Energy?

14          A.       13 years.

15          Q.       What is your title at Santa Fe Energy?

16          A.       District landman.

17          Q.       Are you familiar with the land matters  
18 involved in Case 9923?

19          A.       Yes.

20                 MR. BRUCE: Mr. Examiner, are the witness'  
21 qualifications acceptable?

22                 HEARING EXAMINER: They are.

23          Q.       Mr. Dyer, would you state briefly what  
24 Santa Fe Energy seeks in this case?

25          A.       Just to commingle the surface facilities

1 for the three producing wells that we have out in this  
2 single-based lease at this time, to save a substantial  
3 amount of money on the production.

4 Q. Okay. Would you please refer to Exhibit  
5 No. 1 and describe the lease, the land it covers, and  
6 the three wells we're interested in?

7 A. All right. The lease is a base lease that  
8 covers 481 acres, and it's State Lease LG 6977. It's  
9 Section 2 of 18 South, 32 East. We've also identified  
10 the three wells that now exist, being the Sharpshooter  
11 2 State No. 1, 2 and 3.

12 Q. And Exhibit 1 outlines the extent of the  
13 state lease?

14 A. Right.

15 Q. Do all the wells produce from the same  
16 Pool?

17 A. Yes. The North Young Bone Spring.

18 Q. What is the ownership interest in these  
19 three wells? And I refer you to Exhibit 2.

20 A. Okay. The base lease is obviously a record  
21 title from Amoco. We received through a deal farmout  
22 from Amoco for 100 percent of the lease, and we sold  
23 50 percent of it to Mitchell Energy.

24 The working interest is set out in the  
25 exhibit here for the different wells, Amoco keeping an

1 override, and then Santa Fe and Mitchell having the  
2 same working interest on all three wells. The only  
3 difference being on Well No. 2 and No. 3, Amoco has a  
4 right to convert an override to a percent working  
5 interest.

6 Q. Have Amoco and Mitchell consented to this  
7 commingling application?

8 A. Yes.

9 Q. Are there waiver letters submitted as  
10 Exhibits 3A and 3B?

11 A. Yes, we have submitted the letters.

12 Q. Who are the purchasers of production from  
13 the Nos. 1, 2 and 3 wells?

14 A. It's Texaco Trading & Transportation, Inc.

15 Q. They purchased the oil, is that correct?

16 A. Right.

17 Q. Does Conoco purchase the gas?

18 A. That is correct.

19 Q. Have they consented to the commingling  
20 application?

21 A. Yes. And we have submitted the letters for  
22 that also.

23 Q. Those are Exhibits 4A and 4B, are they not?

24 A. Yes.

25 Q. Now, since this is a state lease, you

1 contacted the Land Commissioner about this  
2 application, did you not?

3 A. That is correct.

4 Q. What did the Land Commissioner state? And  
5 I refer you to Exhibits 5A, 5B and 5C.

6 A. What they actually said was it's a single  
7 lease and it was not necessary to get approval from  
8 them in any way because the production would not  
9 affect them.

10 Q. In your opinion, will the granting of this  
11 application be in the interest of conservation, the  
12 prevention of waste and the protection of correlative  
13 rights?

14 A. Oh, definitely.

15 Q. Were Exhibits 1 through 5C prepared by you  
16 or under your direction or compiled from company  
17 business records?

18 A. That is correct.

19 MR. BRUCE: Mr. Examiner, I move the  
20 admission of Exhibits 1 through 5C.

21 HEARING EXAMINER: Exhibits 1 through 5C  
22 will be admitted into evidence at this time.

23 MR. BRUCE: Before I pass the witness,  
24 Exhibit 6 is my Affidavit Regarding Notice of the  
25 hearing that was sent to the parties in interest, and



1 I would move that Exhibit 6 also be admitted into  
2 evidence.

3 HEARING EXAMINER: Exhibit 6 will be  
4 admitted into evidence also.

5 EXAMINATION

6 BY HEARING EXAMINER:

7 Q. Mr. Dyer, the way I understand it, this  
8 application had been filed for administrative purposes  
9 through General Rules and Regulations 303, is that  
10 correct?

11 A. Yes, sir.

12 Q. The reason we're at hearing today is  
13 because of the interest ownership in the subject  
14 wells?

15 A. Yes, that is correct.

16 Q. You've essentially got waivers from  
17 everyone?

18 A. Yes, sir.

19 Q. So we're here as an administrative  
20 procedure, isn't that correct?

21 A. Yes, sir, that's my understanding.

22 HEARING EXAMINER: I have no other  
23 questions of this witness. Any other questions?

24 MR. STOVALL: I do have a question.

25

## EXAMINATION

BY MR. STOVALL:

Q. I don't know whether you are the man to answer it or your next witness, Mr. Dyer.

As far as those two wells which Amoco has the back-in potential working interest, do you have a method to allocate the production or is that going to be discussed by you or the other witness?

A. I'll pass it to the expert here.

MR. STOVALL: I thought I would check. I have nothing further.

HEARING EXAMINER: You may be excused.

Mr. Bruce?

MR. BRUCE: Call Mr. Winkler to the stand.

C. ROBERT WINKLER,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

## EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence?

A. I'm Clemence Robert Winkler. I reside in Midland, Texas.

Q. Who is your employer?

A. I'm employed by Santa Fe Energy Operating

1 Partners, L. P.

2 Q. What is your occupation with Santa Fe  
3 Energy?

4 A. I'm a production engineer with them.

5 Q. Have you previously testified before the  
6 OCD?

7 A. No, I have not.

8 Q. Would you outline your education and work  
9 background for the Examiner?

10 A. I graduated from the University of Texas in  
11 1980 with a B.S. in petroleum engineering. I worked  
12 with Amoco for eight years, three of which were in  
13 production, two in reservoir, and three in drilling  
14 and production.

15 I was employed with Pacific Enterprises for  
16 two years following that as an operations engineer,  
17 and just recently went to work for Santa Fe. I have  
18 been employed with them for two weeks, and my title is  
19 Senior Production Engineer.

20 Q. Have you qualified to testify before the  
21 Texas Railroad Commission?

22 A. Yes, I have. I'm also a registered  
23 professional engineer in Texas.

24 Q. Are you familiar with the engineering  
25 matters related to this case?

1           A.       Yes, I am.

2                   MR. BRUCE:  Mr. Examiner, are the witness'  
3 qualifications acceptable?

4                   HEARING EXAMINER:  They are.

5           Q.       Would you please discuss the proposed  
6 commingling facility, Mr. Winkler?  And I refer you to  
7 Exhibit 7.

8           A.       Exhibit 7 shows a schematic of our proposed  
9 commingled surface facilities for Sharpshooter 2 State  
10 lease.  Presently it will involve wells numbered 1, 2  
11 and 3, which are currently completed wells.  It will  
12 also tentatively handle two more wells, the No. 4 and  
13 the No. 5.

14                   The schematic shows a test facility which  
15 we intend to route the three wells through to get  
16 tests monthly on, as well as the commingled surface  
17 facilities.

18                   Our method of production will be to produce  
19 all three wells commingled through the common heater  
20 treater into the stock tanks.  Routinely we will cycle  
21 each of the wells a minimum of three well tests per  
22 month, and allocate production accordingly to each of  
23 those wells.

24           Q.       Is that a commonly accepted method in the  
25 industry?

1           A.       Yes, sir, it is.

2           Q.       Referring to Exhibit No. 8, what cost  
3 savings does Santa Fe anticipate making from the  
4 commingling facility?

5           A.       Presently the completed battery on their  
6 No. 1 well costs approximately \$72,000. We would  
7 anticipate the same expenses on both the No. 2 and the  
8 No. 3, if each were to have separate facilities.

9                   I've outlined the cost savings below. The  
10 cost of a commingled facility would include the flow  
11 lines for each of the two wells, and in addition, the  
12 test facility, which includes a three-phase separator,  
13 valves, fittings, and miscellaneous costs totaling  
14 \$44,000, a savings of which would be approximately  
15 \$100,000.

16                   I would also like to point out some  
17 additional or potential savings. By having a  
18 commingled battery, we will also see reduced costs of  
19 \$2,400 per well per year in pumper costs. And in the  
20 event that we do drill the additional two wells, we'll  
21 see additional savings of \$126,000.

22           Q.       Now, you mentioned that you might use it  
23 for two additional wells or propose to use it for two  
24 additional wells in the future, is that correct?

25           A.       That's correct.

1 Q. Are those wells on the same state lease?

2 A. Yes, sir, they're on the same state lease  
3 with the same interest break-out as was submitted in  
4 the previous exhibit.

5 Q. Would they be completed in the same  
6 formation?

7 A. Yes, sir, they would.

8 Q. In your opinion, will the granting of this  
9 application be in the interests of conservation, the  
10 prevention of waste and the protection of correlative  
11 rights?

12 A. Yes, it will.

13 Q. Were Exhibits 7 and 8 prepared by you or  
14 under your direction?

15 A. Yes, they were.

16 MR. BRUCE: Mr. Examiner, at this time I  
17 move the admission of Exhibits 7 and 8.

18 HEARING EXAMINER: Exhibits 7 and 8 will be  
19 admitted into evidence at this time.

20 EXAMINATION

21 BY HEARING EXAMINER:

22 Q. Mr. Winkler, what Pool are these three  
23 wells producing?

24 A. North Young Bone Spring.

25 Q. What is the history of these three wells in

1 that pool? Are they recent completions or do they  
2 have an extensive history or somewhat of a short  
3 history?

4 A. No, sir, they're fairly recent completions,  
5 all within less than a year.

6 The No. 1 is currently a top allowable  
7 well. The No. 2 is producing 40 barrels of oil per  
8 day with a workover that will be done Thursday, and  
9 the No. 3 is currently shut in pending evaluation.

10 Q. How about the other wells shown? I'll  
11 refer to Exhibit 1. There's one plugged and abandoned  
12 well in the southeast southeast, but there seems to be  
13 three wells on the extreme west side of the lease.  
14 Are those from a different Pool, are they plugged and  
15 abandoned, or what's the status of those wells?

16 A. I do not know the status of those.

17 Q. I want to refer to Exhibit 7. You're  
18 proposing three well tests per month?

19 A. Yes, sir, a minimum of three well tests per  
20 month.

21 Q. The gas, will that also be tested?

22 A. Yes, sir. The three-phase separator will  
23 separate oil, gas and water, and will be recorded on a  
24 24-hour basis and compare to previous tests for  
25 accuracy. I will also have a sampler in place

1 downstream of our oil to determine BSNW content for  
2 proper allocation.

3 HEARING EXAMINER: Mr. Stovall, do you want  
4 to refer your question to this witness?

5 MR. STOVALL: I guess he probably answered  
6 it, but I assume this test meter will be used for the  
7 allocation, or this testing procedure will be used to  
8 allocate--

9 THE WITNESS: Yes, sir. Our procedure will  
10 be to, in the test, we'll take a 24-hour test and  
11 evaluate that to previous tests. At the end of the  
12 month, the well tests that were considered accurate  
13 will be averaged for the allocation purposes. The  
14 well test for each of the three wells will be compared  
15 to the actual total lease production allocated back.

16 This will be our method for reporting to  
17 the state on production from each of the three wells  
18 as well, both before and after payout of the wells.

19 MR. STOVALL: I have nothing further.

20 HEARING EXAMINER: I don't have anything  
21 further of Mr. Winkler.

22 Are there any other questions of this  
23 witness? If not, Mr. Winkler may be excused.

24 Mr. Bruce, do you have anything further?

25 MR. BRUCE: No, sir.



1                   HEARING EXAMINER: Does anybody else have  
2 anything further in this matter?

3                   Case No. 9923 will be taken under  
4 advisement.

5                   (And the proceedings concluded.)

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## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) ss.  
5 COUNTY OF SANTA FE )

6 I, Carla Diane Rodriguez, Certified  
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY  
8 that the foregoing transcript of proceedings before  
9 the Oil Conservation Division was reported by me; that  
10 I caused my notes to be transcribed under my personal  
11 supervision; and that the foregoing is a true and  
12 accurate record of the proceedings.

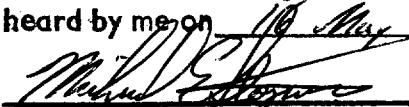
13 I FURTHER CERTIFY that I am not a relative  
14 or employee of any of the parties or attorneys  
15 involved in this matter and that I have no personal  
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL May 29, 1990.

18   
19 CARLA DIANE RODRIGUEZ  
20 CSR No. 91

21 My commission expires: May 25, 1991

22  
23 I do hereby certify that the foregoing is  
24 a complete record of the proceedings in  
the Examiner hearing of Case No. 9923,  
25 heard by me on 19 May 19 90.

, Examiner  
Oil Conservation Division

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MAY 16, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W.H. Bob Keeduck	El Paso Natural Gas Co	El Paso, TX
Theron D. Dyer	Santa Fe Energy Resources Inc.	Midland, Texas
Robert Winkler	Santa Fe Energy Resources, Inc.	Midland, TX
William A. Jan	Tamphell and Blake	Santa Fe
Victor T. Lyon	OCD	Santa Fe
James Bruce	Hinkle Law Firm	ABQ
Bill Selzer	Osborn Heins Co	Midland
Chuck Bredenham	Osborn Heins Co.	San Antonio
Eric L. Tucker	Osborn Heins Co.	San Antonio
Gene Galley	Grillegshan Firm	Santa Fe
Tom Nelson	Osborn Heins Co	Midland
Maureen Trimmer	Byram Reprt	Santa Fe
David Shum	Texaco Inc.	Denver
Don Stevens	Stevens Oper. Corp.	Roswell
Jack Ahlen	Stevens Op Corp	Roswell
Brian Luginbill	Stevens Operating Corp.	Roswell

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date MAY 16, 1990 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Barry Zing	Enron Oil & Gas	Midland
DAVE BONEAU	YATES PETROLEUM	ARTESIA
Pinson McWhorter	Yates Petroleum	Artesia
Al Springer	Yates Petroleum	Artesia
Emil L. Conell	Loose Cones H&A & Conell	Artesia
Harry T. Nutter	Doyle Hartman	Santa Fe, NM
By Jones	Doyle Hartman	Midland
John R. Frink	ENRON O&G	Midland
<del>Paul M. Brown</del>	ENRON O&G	Midland TX
Richard T. Dan	UTI Energy Corp.	Midland, TX
MIKE STEWART	Doyle Hartman	Midland TX
Scott Wilson	UTI Energy	Midland
Leslie Bentz	Yates Pet.	Artesia, NM
<del>Loose</del>	Loose Cones H&A & Conell	Artesia

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9923, CASE 9924, CASE 9926,  
CASE 9927, CASE 9911, CASE 9930,  
CASE 9931, CASE 9918, CASE 9919,  
CASE 9907, CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Continued Cases

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 2, 1990

**ORIGINAL**

1           WHEREUPON, the following proceedings were had  
2       at 8:20 a.m.:

3           EXAMINER CATANACH: Call the hearing to order  
4       this morning for Docket Number 12-90.

5           At this time we'll call the continuances.

6           At this time I'll call Case 9923, the  
7       Application of Santa Fe Energy Operating Partners,  
8       L.P., for surface commingling, Lea County, New Mexico.

9           At the Applicant's request, this case will be  
10      continued to the May 16th, 1990, docket.

11                           \* \* \*

12           EXAMINER CATANACH: Call Case 9924, the  
13      Application of Strata Production Company to amend  
14      Division Order No. 9097, Eddy County, New Mexico.

15           At the Applicant's request, this case will be  
16      continued to the May 16th, 1990, docket.

17                           \* \* \*

18           EXAMINER CATANACH: Call Case 9926, the  
19      Application of Mewborn Oil Company for compulsory  
20      pooling and an unorthodox gas well location, Eddy  
21      County, New Mexico.

22           At the Applicant's request, this case will be  
23      continued to May 30th, 1990.

24                           \* \* \*

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1                   EXAMINER CATANACH: Call Case 9927, the  
2 Application of Pacific Enterprises Oil Company (USA)  
3 for compulsory pooling, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6                                   \* \* \*

7  
8                   EXAMINER CATANACH: At this time we'll call  
9 Case 9911, Application of Union Oil Company of  
10 California for a highly deviated directional drilling  
11 pilot project and unorthodox coal gas well location,  
12 Rio Arriba County, New Mexico.

13                   At the Applicant's request, this case will be  
14 continued to the May 16th, 1990, docket.

15                                   \* \* \*

16  
17                   EXAMINER CATANACH: Case 9930, the  
18 Application of Union Oil Company of California to amend  
19 Division Order Number R-6375, as amended, Rio Arriba  
20 County, New Mexico.

21                   At the Applicant's request, this case will be  
22 continued to the May 16th, 1990, docket.

23                                   \* \* \*

24

25

1 EXAMINER CATANACH: Case 9931, Application of  
2 Arco Oil and Gas Company for a pressure maintenance  
3 expansion, Eddy County, New Mexico.

4 At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6 \* \* \*

7  
8 EXAMINER CATANACH: Case 9918, Application of  
9 Mesa Operating Limited Partnership for compulsory  
10 pooling, San Juan County, New Mexico.

11 At the Applicant's request, this case will be  
12 continued to the May 16th, 1990, docket.

13 \* \* \*

14  
15 EXAMINER CATANACH: Case 9919, Application of  
16 Mesa Operating Limited Partnership for compulsory  
17 pooling, San Juan County, New Mexico.

18 At the Applicant's request, this case will be  
19 continued to the May 16th, 1990, docket.

20 \* \* \*

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1                   EXAMINER CATANACH: Case 9907, Application of  
2                   Enron Oil and Gas Company for compulsory pooling and an  
3                   unorthodox location, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5                   continued to the May 16th, 1990, docket.

6                                   \* \* \*

7  
8                   EXAMINER CATANACH: And Case 9898,  
9                   Application of Doyle Hartman for compulsory pooling, a  
10                  non-standard gas proration unit and simultaneous  
11                  dedication, Lea County, New Mexico.

12                  At the Applicant's request, this case will be  
13                  continued to the May 16th, 1990, docket.

14                                  \* \* \*

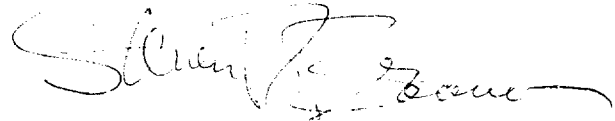
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL May 24, 1990.



STEVEN T. BRENNER  
 CSR No. 106

My commission expires: October 14, 1990

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 May 2 1990.

David L. Catamb, Examiner  
 Oil Conservation Division