

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 13,139

APPLICATION OF GRUY PETROLEUM MANAGEMENT)
COMPANY TO EXPAND THE WHITE CITY-)
PENNSYLVANIAN GAS POOL, EDDY COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

October 9th, 2003

Santa Fe, New Mexico

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Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 9th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

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Examiner Hearing
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	-
Exhibit 2	4	-
Exhibit 3	4	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 10:18 a.m.:

3 EXAMINER CATANACH: Call the hearing back to
4 order, and at this time I will call Case 13,139, which is
5 the Application of Gruy Petroleum Management Company to
6 expand the White City-Pennsylvanian Gas Pool, Eddy County,
7 New Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe.
10 I have a short presentation and a question after I make
11 that presentation. I have no witnesses.

12 EXAMINER CATANACH: Okay. Any additional
13 appearances? Okay.

14 MR. BRUCE: Mr. Examiner, in this case the
15 Applicant seeks to expand the White City-Pennsylvanian Gas
16 Pool to include Section 14 of 24 South, 26 East. They've
17 drilled a well on that acreage, and normally this would be
18 handled under the Division's nomenclature procedure.
19 However, the White City-Penn Pool rules provide that it's
20 not automatically expanded. So that is the reason this
21 Application was filed.

22 A well was drilled in Section 14, it is producing
23 from the correlative interval -- one of the correlative
24 intervals of the White City-Penn Pool. The White City-Penn
25 Pool covers the entire Pennsylvanian, from the top of the

1 Cisco to the base of the Morrow. The well in Section 14,
2 which is the Bradley Fed Com Well Number 1, is producing
3 from the Strawn and the Morrow formations.

4 I've submitted as Exhibit 2 an affidavit of
5 Applicant's geologist with a cross-section attached showing
6 that it's producing from the correlative interval, and we
7 believe it should be included in the pool.

8 As far as land matters go, all of Section 14 is
9 comprised of two federal leases. The royalty interest is
10 the same under those two leases, so there is common royalty
11 ownership. The working interests are subject to a -- and
12 if you look at Exhibit 1, the working interests are subject
13 to a JOA which covers Section 14, plus other acreage which
14 is in the White City-Penn Pool, so working interests are
15 common in all of Section of 14.

16 There is a difference in overriding royalty
17 ownership, and that is also set forth in Exhibit 1. Notice
18 has been given to those overriding royalty owners with the
19 addresses we had, and that is shown in Exhibit 3.

20 All of Section 14 has been communitized by the
21 Bureau of Land Management for White City-Penn production,
22 and as a result we'd ask that the pool be expanded to
23 include Section 14.

24 A couple of things. Gruy was going to be in town
25 today. Obviously -- This concerned the Mewbourne Oil

1 Company application there in a -- regarding a case that has
2 been continued for two weeks. Because it wasn't, and
3 because this case had been continued a couple of times, we
4 are submitting the affidavits. The affidavits are not
5 signed. I will submit the affidavits later, the signed
6 affidavits later. They just hadn't been received in the
7 mail by the time I put these exhibits together.

8 If the Division desires more discussion of this,
9 Gruy will be at a hearing in a couple weeks or so and could
10 probably give further discourse on this matter. But at
11 this point, if you desire that, the case could be
12 continued. Otherwise, we'd ask that the matter be taken
13 under advisement.

14 EXAMINER CATANACH: The White City-Penn is
15 currently spaced on 640?

16 MR. BRUCE: 640 with one well allowed per quarter
17 section.

18 EXAMINER CATANACH: One well per quarter section.
19 And the pool rules don't provide an administrative
20 procedure for expanding the boundaries?

21 MR. BRUCE: Correct, they do not. They are --
22 The copy of the rules that I had limited them to -- when
23 originally adopted, they were limited in a certain area,
24 and periodically it's been expanded, but it's always been
25 done by hearing.

1 And as I said, the working interest ownership is
2 common under the JOA, and therefore well costs are borne on
3 a sectionwide basis.

4 EXAMINER CATANACH: And what you've presented,
5 Mr. Bruce, is basically geology showing that the well is,
6 in fact, producing from the boundaries of the pool?

7 MR. BRUCE: From the same correlative intervals
8 that are producing to the west and to the south, and that
9 acreage is in the White City-Penn Pool.

10 EXAMINER CATANACH: Well, my first inclination
11 would be to actually talk to Gruy, have a witness to
12 discuss drainage. But given that the pool allows four
13 wells per 640-acre unit, I'm not sure that's an issue.

14 MR. BRUCE: The pool rules were changed earlier
15 this year, Mr. Examiner, or maybe it was -- Actually, it
16 was about a year ago the pool rules were amended, under
17 Order R-2429-E. Originally the pool rules only allowed --
18 I think it was one well per section. It was amended, I
19 think, at one point to allow two wells per section. And
20 then a year ago under that order it was amended to allow
21 one well per quarter section.

22 So in essence, one well per quarter section, just
23 like the statewide rules allow for 320-acre well units.

24 EXAMINER CATANACH: Okay. I think that there's
25 an issue here that probably warrants further discussion of

1 whether or not the White City-Penn, which is an old pool --
2 it's spaced on 640 -- whether or not it's appropriate to
3 expand that pool to include 640-acre spacing units when, in
4 fact, the spacing is probably 320 or less. So I think that
5 it would be a good idea to bring Gruy back in to discuss
6 that very issue.

7 MR. BRUCE: Okay.

8 EXAMINER CATANACH: So I would venture we should
9 continue the case.

10 MR. BRUCE: Okay. Well, we can have a witness
11 available, and I'm not sure at which hearing. I think it's
12 October 23rd, but I'm not sure.

13 EXAMINER CATANACH: Okay, we'll go ahead and
14 continue the case till October 23rd, and then if we need to
15 continue it from there, we can do so.

16 MR. BRUCE: Okay.

17 EXAMINER CATANACH: Thank you, Mr. Bruce.

18 (Thereupon, these proceedings were concluded at
19 10:25 a.m.)

20 * * *

21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 13137,
24 heard by me on October 9, 2003.
25 David M. Catnach, Examiner
Oil Conservation Division

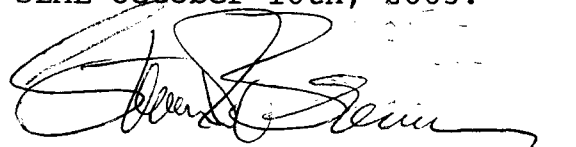
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court 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 October 10th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006