

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. 12,086
(Consolidated)

APPLICATION OF YATES PETROLEUM)
CORPORATION AND HANLEY PETROLEUM, INC.,)
FOR ALLOWABLE REDUCTION AND THE ESCROW)
OF PRODUCTION PROCEEDS, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

APPLICATION OF ENERGEN RESOURCES)
CORPORATION FOR ALLOWABLE REDUCTION)
AND THE ESCROW OF PRODUCTION PROCEEDS,)
LEA COUNTY, NEW MEXICO)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 16th, 1999

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, September 16th, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, 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

OIL CONSERVATION DIV.
99 SEP 24 AM 11:35

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September 16th, 1999
Examiner Hearing
CASE NO. 12,086 (Consolidated)

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* * *

A P P E A R A N C E S

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* * *

ALSO PRESENT:

PHILIP GLEN ADAMS

* * *

1 WHEREUPON, the following proceedings were had at
2 10:50 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order at this time. Call Case Number 12,086.

5 And for the record, I'm Michael Stogner. I heard
6 this case when it came up --

7 MR. HALL: July 8th.

8 EXAMINER STOGNER: -- July the 8th, and since I'm
9 here today, I'll be hearing the remainder of the case
10 today, and hopefully it will be taken under advisement
11 then.

12 MR. CARROLL: Application of Yates Petroleum
13 Corporation and Hanley Petroleum, Inc., for allowable
14 reduction and the escrow of production proceeds, Lea
15 County, New Mexico.

16 And Application of Energen Resources Corporation
17 for allowable reduction and the escrow of production
18 proceeds, Lea County, New Mexico.

19 EXAMINER STOGNER: Call for appearances.

20 MR. HALL: Mr. Examiner, my name is Scott Hall
21 from the Miller Stratvert Torgerson law firm, Santa Fe.

22 I have three witnesses with brief testimony this
23 morning. Two of them are already under oath in this
24 proceeding. An additional witness, Jim Piwetz, will need
25 to be sworn.

1 EXAMINER STOGNER: Mr. Bruce?

2 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
3 representing Gillespie Oil, Inc., and Charles B. Gillespie,
4 Jr. I have no witnesses today.

5 MR. OWEN: May it please the Examiner, my name is
6 Paul Owen of the Santa Fe law firm of Campbell, Carr, Berge
7 and Sheridan, representing three companies today, Yates
8 Petroleum Corporation; Hanley Petroleum, Inc.; and Hanley
9 OAD II -- the Roman numeral II -- Participants. I have no
10 witnesses in this case.

11 EXAMINER STOGNER: Will the one witness that
12 needs to be sworn today stand to be sworn?

13 (Thereupon, the witnesses were sworn.)

14 EXAMINER STOGNER: Mr. Hall, I thought you said
15 there was only one additional witness.

16 MR. HALL: There is. I believe a royalty
17 owner --

18 EXAMINER STOGNER: Oh, I'm sorry, okay, so there
19 is another appearance here today then?

20 MR. ADAMS: Yes, sir, I'm Philip Glen Adams from
21 Lea County. I live in Santa Fe now.

22 EXAMINER STOGNER: And Mr. Adams, you wish to
23 make a statement or present some testimony today? Is that
24 what I understand?

25 MR. ADAMS: Yes, sir.

1 EXAMINER STOGNER: Is there any need for opening
2 remarks at this time?

3 MR. HALL: Let me make a very brief opening
4 statement, Mr. Examiner, to refresh our collective memories
5 in this case.

6 The relief we were requesting consisted of three
7 components. One was to have the Division enter an order
8 temporarily reducing the allowable for certain wells
9 pursuant to a specific criterion, which will be explained
10 during the course of the testimony today. We have refined
11 that criterion somewhat. I think it will simplify matters
12 in this case.

13 Secondly, we ask that the Order direct the
14 production proceeds attributable to the working interest
15 only for the affected wells to be paid into escrow pursuant
16 to the New Mexico proceeds payment act for the term of the
17 Order.

18 And then thirdly, the Order should provide that
19 the term of the allowable reduction should be
20 contemporaneous with the ratification by the required
21 percentage of interests of an expansion of the unit, to
22 include the affected wells.

23 The overall objective of the Application, as
24 we've said before, is primarily to prevent waste and
25 protect correlative rights. We believe that there is

1 evidence in the record already that there's ongoing
2 drainage in violation of correlative rights.

3 It is also the objective of this Application to
4 provide the interested parties with an incentive to resolve
5 the impasse that prevents resolution of all issues
6 connected with the expansion process.

7 At the last hearing we were directed to provide
8 additional notice to a number of parties, and we have done
9 that. The notice affidavit is presented to you as Exhibit
10 19, and there are, I am told by my paralegal, 606
11 additional parties notified, and we have Mr. Ken Gray on
12 the stand now, and he can provide additional evidence with
13 respect to the process for notification in this case.

14 Since Mr. Gray has already been sworn and his
15 credentials made a matter of record, I'll just jump right
16 into examination with him, if that is agreeable to you?

17 EXAMINER STOGNER: Please do.

18 KENNETH H. GRAY,
19 the witness herein, having been previously duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. HALL:

23 Q. Mr. Gray, at the hearing on July 8th, we were
24 asked to provide notice of this proceeding to all
25 operators, working interest owners, overriding royalty

1 interest owners and royalty interest owners within a mile
2 of the pool boundaries of the West Lovington-Strawn Pool;
3 isn't that correct?

4 A. That's correct.

5 Q. And was that notice accomplished?

6 A. Yes, it was.

7 MR. HALL: Mr. Examiner, it might help for
8 purposes of orientation -- I don't know if you have a copy
9 of the Exhibit 4, which is already a matter of record. I
10 have an extra copy for you here if you like.

11 Exhibit 4 doesn't purport to outline the full
12 boundaries themselves, but it's -- for orientation purposes
13 will show production for various Strawn pool in the subject
14 area.

15 Q. (By Mr. Hall) Now, Mr. Gray, if you would refer
16 to Energen Exhibit 17, would you please explain what this
17 exhibit is intended to reflect?

18 A. It's intended to reflect what the West Lovington-
19 Strawn Pool presently encompasses. It has each order
20 listed, the date and the acreage involved. Oh, about
21 the -- where it says "Current", like the third entry up
22 from the bottom, that is a summary of what is within the
23 West Lovington-Strawn unit.

24 Q. And is Exhibit 17 based on the various orders
25 issued by the Division, establishing the horizontal

1 boundaries of the West Lovington-Strawn Pool over time?

2 A. Yes.

3 Q. And is this what you relied on to establish the
4 boundaries of the pool so you could draw your one-mile
5 radius around the boundaries for notification?

6 A. That is correct.

7 Q. Let's look at Exhibit 18. What does that show?

8 A. That's the pools that are within proximity to the
9 West Lovington-Strawn. These are actually the three that
10 are within a mile of the West Lovington-Strawn Pool.

11 Q. All right. And, Mr. Gray, to your knowledge,
12 when you investigated ownership in the area of interest,
13 how many interest owners were notified?

14 A. Over 600.

15 Q. All right, let's refer to Exhibit 19. That is
16 the affidavit of notice, is it not?

17 A. Yes, it is.

18 Q. And Exhibit A to that exhibit is a sample of a
19 notice letter; is that correct?

20 A. That's correct.

21 Q. And Exhibit B to that is a list of the names and
22 last known addresses of all of the interest owners who your
23 title search revealed?

24 A. That's correct.

25 Q. And in some instances, were you unable to find an

1 address for certain interest owners?

2 A. That's correct.

3 Q. And are those interest owners reflected on
4 Exhibit 20?

5 A. That is correct.

6 Q. What records did Energen Resources rely on for
7 purposes of identifying the interest owners who received
8 notice in this case?

9 A. Our main reference would have been the county
10 records, but we also used the state and federal records.

11 Q. All right, could you briefly explain the process
12 you went through to identify all the interest owners?

13 A. We basically did a complete land takeoff on every
14 section that was within the boundaries that we had to
15 notify people on.

16 Q. And --

17 A. So the 600 names represents more like 5000 names,
18 because a lot of them appeared more than once.

19 Q. I see. Was the authorized officer for the Bureau
20 of Land Management in this district notified?

21 A. Yes.

22 Q. And was notice provided to the New Mexico State
23 Land Office?

24 A. It was.

25 Q. Were Exhibits 17, 18 and 20 prepared by you or at

1 your direction and control?

2 A. Yes.

3 MR. HALL: We'd move the admission of Exhibits
4 17, 18 and 20, as well as Exhibit 19, which is the
5 affidavit of notice of mailing in this case.

6 And that concludes our direct of this witness.

7 EXAMINER STOGNER: Any objection?

8 MR. BRUCE: I have no objection.

9 MR. OWEN: No objection.

10 EXAMINER STOGNER: Exhibits 17, 18, 19 and 20
11 will be admitted into evidence at this time.

12 Mr. Bruce, your witness.

13 MR. BRUCE: I don't have any questions of Mr.
14 Gray.

15 EXAMINER STOGNER: Mr. Owen?

16 MR. OWEN: No questions, Mr. Examiner.

17 MR. HALL: Mr. Examiner, let me explain something
18 else while we're on the issue of notice.

19 The task of issuing notice was much larger than I
20 had anticipated. Notice was mailed out on the 26th of
21 August, but it was not completed until the 27th of August.
22 The 27th was not 20 days in advance of the hearing, so I
23 believe what we may have to do in this case is keep the
24 record open another two weeks in the event those other
25 interest owners may wish to appear.

1 EXAMINER STOGNER: Mr. Hall, the next hearing for
2 this Division is not scheduled until October the --

3 MR. BRUCE: 7th.

4 EXAMINER STOGNER: -- 7th. We're skipping a week
5 in there for the holidays. Normally we go every other
6 Thursday, so that when the holidays approach then we adjust
7 about this time to make up so we can schedule in between
8 the holidays and make it convenient for the operators to
9 set your -- or whoever needs come in for the hearing.

10 So at this particular point the next case, or the
11 next hearing, is not till October the 7th. Would that be
12 adequate?

13 MR. HALL: Meets with my approval.

14 EXAMINER STOGNER: Okay. So if there's no
15 questions of this witness, he may be excused.

16 MR. HALL: At this time we would call Jim Piwetz
17 to the stand.

18 JAMES J. PIWETZ,
19 the witness herein, after having been first duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. HALL:

23 Q. For the record, state your name.

24 A. James J. Piwetz.

25 Q. Mr. Piwetz, where do you live and by whom are you

1 employed?

2 A. I live in Midland, Texas, and I'm employed by
3 Energen Resources.

4 Q. And what do you do for Energen?

5 A. I'm project engineer.

6 Q. You've not previously testified in connection
7 with this Application; is that correct?

8 A. That's correct.

9 Q. But you've previously testified before the
10 Division and had your credentials accepted as a matter of
11 record as a professional expert petroleum engineer,
12 correct?

13 A. That's correct.

14 Q. And you're familiar with the Application that's
15 been filed in this case?

16 A. Yes, sir.

17 Q. And you know the subject lands that are affected
18 by the Application?

19 A. Yes.

20 MR. HALL: At this point we would tender Mr.
21 Piwetz as an expert petroleum engineer.

22 EXAMINER STOGNER: Any objection?

23 MR. BRUCE: No, sir.

24 EXAMINER STOGNER: Mr. Piwetz is so qualified.

25 Q. (By Mr. Hall) Mr. Piwetz, have you represented

1 Energen at the meetings of the West Lovington-Strawn unit
2 technical committee?

3 A. Yes, I've been present at every one.

4 Q. All right. The last hearing in this case was
5 July 8th, 1999, and certain representations were made on
6 the record that the technical committee would convene again
7 immediately after the hearing. Was that done?

8 A. Yes, we had a meeting on July 16th, and a second
9 meeting on July 30th.

10 Q. All right. Let's refer briefly to what we've
11 marked as Energen Exhibit Number 1 - Supplemental. And Mr.
12 Examiner, you may recall that at the July 8th hearing
13 Exhibit 1 was a chronology of events. This Exhibit 1 -
14 Supplemental is merely intended to supplement that with the
15 additional history of all the events that have transpired
16 since the last hearing.

17 Mr. Piwetz, let me ask you, is the July 16th
18 meeting of the technical committee reflected on Exhibit 1 -
19 Supplemental?

20 A. Yes, sir.

21 Q. Following the July 16th meeting, was there an
22 additional meeting?

23 A. There was one more meeting on July 30th.

24 Q. Would you briefly discuss for the Hearing
25 Examiner what transpired at those meetings?

1 A. The Energen geologist, Dave Cromwell, presented
2 the digitized maps, and then Lynn Charuk, the
3 representative or the geologist that's in the employ of Mr.
4 Gillespie, presented his version of the HPV map, and the
5 representatives got together and looked at these maps.

6 There was a lot of heated debate that resulted
7 from the Gillespie-Charuk map, which reflected a large HPV
8 buildup on Tract 22, which is Mr. Gillespie's F 3 well,
9 which I believe is currently just about at TD. All
10 technical representatives except Mr. Gillespie's
11 representatives objected to this representation.

12 Mr. Mladenka indicated that Mr. Gillespie would
13 never accept the working interest owners' technical
14 committee map that had been previously agreed upon by the
15 working interest owners' technical committee, as he had not
16 been given his 200-percent payout that he had demanded on
17 the payout for the wells that were drilled outside the unit
18 to be brought into the unit.

19 It was pointed out that the technical committee
20 had since agreed to the 200-percent payout provision. Mr.
21 Mladenka indicated that it did not matter, as Mr. Gillespie
22 would not approve the technical committee's map and did not
23 feel that the royalty owner would approve it either. The
24 parties agreed to redraw their map and try to reach an
25 agreement, then meet again as soon as the maps were ready,

1 and that's what we adjourned on the 16th -- I mean, on
2 the --

3 Q. July 16th?

4 A. Right. Then we met again on July the 30th, where
5 the two revised maps were again presented. Cromwell
6 presented the map drawn up by himself and Brett Bracken and
7 Dave Boneau, Brett Bracken with Hanley and Dave Boneau with
8 Yates Petroleum.

9 Mr. Gillespie's representatives presented
10 Charuk's revision, which gave Tract 22 even more HPV. Mr.
11 Charuk was questioned as to how this was possible, when the
12 objective was to reduce the HPV. Mr. Charuk indicated that
13 he was only honoring the trend of the isopach buildup
14 inferred by the cross-section that had been drawn through
15 the EC Com, the C 4 and the Beadle.

16 Mr. Mladenka was questioned as to the need to
17 drill the F 3, as it would result in three wells -- the F
18 3, the Beadle, and the Snyder C 4 -- draining a very small
19 portion of the reservoir. He indicated Mr. Gillespie was
20 being pressured by the royalty owners to drill, even though
21 the tract was held by production.

22 There was much debate over the two HPV map
23 revisions. Cromwell pointed out that the Energen map had
24 reduced the HPV under the Energen Beadle tract, but Charuk
25 was giving even more HPV to Tract 22, the F 3 well, than

1 his previous map, with no geological justification.

2 Mr. Mladenka indicated Mr. Gillespie and the
3 royalty owner would insist on using Mr. Charuk's HPV map.
4 They would never agree to anything else.

5 There was much discussion with no agreement on
6 the HPV maps. Mr. Gillespie's representatives insisted on
7 using the Charuk map, and none of the other representatives
8 of the working interest owners' technical committee would
9 agree to this.

10 Mr. Mladenka indicated that there appeared to be
11 only three alternatives.

12 Number one was to use the technical committee map
13 and the April 1st, 1999, effective date. He indicated Mr.
14 Gillespie would not agree to this.

15 Number two was to use Mr. Charuk's map and the
16 200-percent payout and 80-percent HPV only with no wellbore
17 factor. No one else on the committee would agree to this.

18 The third alternative was to wait until the F 3
19 was drilled and re-draw the map, which would drag out any
20 agreement even further.

21 The meeting was adjourned with no agreement, and
22 no future meetings mentioned or planned.

23 Q. All right. When you say there was disagreement
24 over the HPV maps, was it the case that, so far as the
25 participants in the technical committee go, you had

1 Gillespie on the one hand and all the other working
2 interest owners on the other, disagreeing over which HPV
3 map ought to be used?

4 A. Yes, sir, that's correct.

5 Q. Was it your understanding of the Gillespie
6 position that Gillespie would reject the HPV map proposed
7 by the technical committee earlier?

8 A. Yes, sir, that's correct.

9 Q. Was the issue of the Snyder F 3 wells benefitting
10 from the unit's pressure-maintenance program discussed at
11 the meetings?

12 A. The technical committee members discussed the
13 fact that there would be three wells pulling from a very
14 small area of the reservoir. Mr. Mladenka couldn't really
15 offer any justification for that, and he indicated that he
16 would draw up a cross-border agreement whereby the
17 operators of any outside wells that were in communication
18 with the reservoir would contribute their gas back to the
19 unit. So yes, this was discussed.

20 Q. I see. Were the Gillespie representatives asked
21 to defer drilling the F 3 well until after the unit
22 expansion process was completed?

23 A. Yes. Energen had proposed in the farmout letter
24 for the Beadle well to the -- had proposed this in the
25 farmout letter for the Beadle well to the West Lovington-

1 Strawn unit working interest owners, had proposed delaying
2 the drilling of the F 3 until the unit was expanded.

3 Q. What justification was given for drilling the F 3
4 well at the time?

5 A. None. The only justification was that Mr.
6 Gillespie was receiving pressure from the royalty owners.

7 Q. Do you know whether the lease underlying the F 3
8 well is held by production already?

9 A. That is my understanding. That was stated in the
10 working interest owners' meeting, and that's my
11 understanding.

12 Q. Mr. Piwetz, if the order that results from the
13 hearing on the second expansion of the unit incorporates
14 the HPV map proposed by the technical committee, was it
15 your understanding of the Gillespie position, from your
16 participation in the technical committee, that Gillespie
17 would not ratify such an order?

18 A. Yes, sir, that's correct.

19 Q. Does Energen stand ready to ratify the technical
20 committee version of the order for second expansion?

21 A. Yes, presuming it reasonably reflects what the
22 technical committee agreed to.

23 Q. Now, if the unit expansion order is not ratified
24 by the requisite percentage of interest owners, what
25 happens to production from the pool?

1 A. The production probably will rapidly decline as
2 the reservoir pressure drops. Gas injection will probably
3 be ceased and blowdown initiated, leaving significant
4 reserves unrecovered, resulting in a loss of reserves and
5 revenue to all parties and tax revenue to the State of New
6 Mexico.

7 Q. Mr. Piwetz, do you believe that reducing the
8 allowable will provide the interest owners in the pool with
9 an incentive to meet and to resolve the unit-expansion
10 issues?

11 A. Yes, sir, it will remove any incentive for
12 keeping the wells outside the unit.

13 Q. All right. In your opinion, will granting
14 Energen's Application serve to protect correlative rights,
15 prevent waste and otherwise be in the interests of
16 conservation?

17 A. Yes.

18 Q. Did you participate in the drafting of Exhibit
19 1 - Supplemental?

20 A. Yes, sir, I helped the -- counsel.

21 MR. HALL: All right. Mr. Examiner, Exhibit 1 -
22 Supplemental was done with the assistance of Mr. Piwetz,
23 and it's also based on, in many cases, matters already of
24 record in these proceedings.

25 We'd move the admission of Exhibit 1 -

1 Supplemental, and that concludes our direct of the witness.

2 EXAMINER STOGNER: Supplemental Exhibit Number 1
3 presented today will be admitted into evidence if there' no
4 objection.

5 MR. BRUCE: No objection.

6 MR. OWEN: No objection.

7 EXAMINER STOGNER: Mr. Bruce, your witness.

8 CROSS-EXAMINATION

9 BY MR. BRUCE:

10 Q. Just a couple of questions, Mr. Piwetz.

11 The Beadle Well Number -- is it 1?

12 A. Yes, sir.

13 Q. -- has now been completed, has it not?

14 A. Yes, sir, that's correct.

15 Q. Based on the results of that well, is there less
16 HPV on Energen's tract than was first shown on the
17 technical committee map presented at the unit-expansion
18 hearing?

19 A. I can't answer that. I don't know which map was
20 presented at that hearing. I don't know which map was
21 presented.

22 Q. Okay, did it have less HPV -- Does the Energen
23 tract actually have less HPV on it than the technical
24 committee map that was developed early this year?

25 A. Yes, sir.

1 Q. How much less?

2 A. I can't answer that. I don't have the map in
3 front of me, and I can't recall from memory.

4 Q. How far is the Beadle well from the Gillespie F 3
5 lease?

6 A. I think our well is 330 feet north of the section
7 line, and I'm not just exactly certain how far south. I
8 think Mr. Gillespie's is around 600 south.

9 MR. BRUCE: That's all I have, Mr. Examiner.

10 EXAMINER STOGNER: Mr. Bruce.

11 Mr. Owen?

12 MR. OWEN: No questions, Mr. Examiner.

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. I want to make sure I get this straight. When
16 I'm looking at this map, the Beadle Well Number 1 is in
17 Tract 21; is that correct?

18 A. Yeah, the tract number on there, yeah.

19 Q. Okay, I thought I heard you say Tract 22.

20 A. 22 is the F 3 well, Mr. Gillespie's well that's
21 drilling now.

22 EXAMINATION

23 BY MR. CARROLL:

24 Q. And where in 22 is that well?

25 A. I'm sorry?

1 Q. Where in Tract 22 is that well?

2 A. Do we have the legal location on Gillespie's
3 well?

4 MR. GRAY: I probably can find it. It will take
5 me a minute.

6 THE WITNESS: It would be roughly in the
7 northwest corner of that tract.

8 MR. HALL: We'll get you the footage.

9 THE WITNESS: I think it's about 660 out of the
10 corner.

11 MR. BRUCE: Mr. Examiner, I think under those
12 pool rules it has to be -- what? 1020 feet away from the
13 existing well?

14 EXAMINER STOGNER: Okay, that was drilled under
15 which pool rules? I'm assuming it's --

16 MR. BRUCE: West Lovington-- --

17 EXAMINER STOGNER: -- a standard location.

18 MR. BRUCE: West Lovington-Strawn.

19 EXAMINER STOGNER: Because I don't remember
20 issuing an NSL order.

21 MR. BRUCE: I believe it is an orthodox location.
22 I do not even know what the exact footage is.

23 MR. HALL: I thought we had a C-102 as an exhibit
24 already. I can't recall.

25 EXAMINER STOGNER: So it's already been admitted,

1 and there's obviously record in the OCD Division's offices
2 concerning this well.

3 MR. HALL: Yes, it is Exhibit 1-N in this
4 proceeding already.

5 EXAMINER STOGNER: Any other questions of this
6 witness at this time?

7 MR. HALL: No, sir.

8 EXAMINER STOGNER: You may be excused.

9 THE WITNESS: Thank you.

10 EXAMINER STOGNER: Mr. Hall?

11 MR. HALL: At this time we would recall Barney
12 Kahn to the stand.

13 BARNEY I. KAHN,
14 the witness herein, having been previously duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. HALL:

18 Q. Mr. Kahn, since you've previously been sworn in
19 this case and qualified, I'll go directly to questionings
20 for you.

21 At the July 8th hearing in this matter you
22 presented testimony and an exhibit with respect to the
23 payout status of the Snyder C 4 well, and I believe that
24 was Exhibit 10 at the earlier hearing; is that right?

25 A. I don't recall the exhibit number, but I did

1 present an exhibit on that.

2 Q. All right. And at that time, that exhibit
3 evidence showed that the C 4 well had paid out in January;
4 is that right?

5 A. That's correct.

6 Q. Let's refer to new Exhibit 21. Do you have that
7 in front of you there?

8 A. Yes, sir.

9 Q. Using that exhibit, explain to the Hearing
10 Examiner the current payout status for the C 4 well.

11 A. This exhibit is an update of the prior one, which
12 has several more months of production history. This
13 production history is current through the end of July, and
14 the pricing -- the product prices are also current through
15 August.

16 What this shows is that with the increased
17 product prices and the rates that are being produced now,
18 the 200-percent payout will occur sometime in September,
19 which is an acceleration of when it was estimated to occur
20 before.

21 Q. Right, at the earlier hearing you projected that
22 the C 4 well would reach 200 percent payout by the end of
23 October; is that correct?

24 A. Yes, and that's been changed to be sometime in
25 early September.

1 Q. Since the last hearing, how has the GOR
2 production been trending for the C 4 well?

3 A. Well, at the previous hearing the gas-oil ratio
4 was increasing fairly rapidly. And since that hearing, the
5 ratio has not increased as rapidly as it was on trend prior
6 to -- at that other hearing. That's allowed the Snyder C 4
7 well to produce a higher oil rate because of the 2000
8 penalty ratio.

9 Q. And that's reflected on the GOR column you have
10 for Exhibit 21?

11 A. Yes, it is.

12 Q. Let's --

13 A. The current GOR for the C 4 well is approximately
14 3000 to 1.

15 Q. Let's refer to Exhibit 22. Would you identify
16 that, please, for the Hearing Examiner?

17 A. Yes, Exhibit 22 is an update of an exhibit that
18 was previously presented at the prior hearing.

19 Q. Was that Exhibit 15?

20 A. Yeah, I guess it was Exhibit 15, you're right.
21 It's a material balance showing the amount of makeup gas
22 that the working interest owners in the unit have to
23 purchase to offset the production from the Snyder EC 1 and
24 the C 4 wells.

25 The additional cost to the unit working interest

1 owners through August is estimated to be \$850,000, and is
2 projected to be \$1,050,000 by the end of November. One of
3 the reasons for this is because of the higher cost of
4 makeup gas, as gas prices have increased significantly
5 since the prior hearing.

6 Q. Are those gas-injection costs reflected on the
7 column that's labeled "Gas Cum Cost \$"?

8 A. Yes, under the overall heading of "Purchased"
9 gas.

10 Q. All right. Let's look at Exhibit 23 briefly.
11 Would you explain that for the Hearing Examiner?

12 A. Okay, Exhibit 23 shows the original oil in place
13 under the Snyder C 4 tract for the three geological
14 interpretations that are currently presented.

15 The first one is the original oil in place,
16 calculated from the HPV on the technical committee map that
17 was approved prior to the drilling of the Beadle well.

18 The next value of oil in place is off of the
19 Gillespie-Charuk map.

20 And the third is off of a compromise map that was
21 discussed at the last technical committee hearing.

22 And the recovery factor of 13.6 percent is a
23 recovery factor that was determined by a pre-unitization
24 reservoir study that was commissioned by Gillespie, to
25 determine what the recovery in the West Lovington-Strawn

1 unit would be without pressure maintenance and what the
2 recovery would be with pressure maintenance.

3 The 30-percent recovery factor is what was
4 determined by that reservoir study to be recoverable with
5 gas-injection pressure maintenance.

6 The difference in recovery for the Snyder C 4
7 well would be approximately 44,000 barrels, in one case, up
8 to 48,000 barrels in the other case. So it's a range of
9 45,000 to 48,000 barrels difference due to the support from
10 the gas-injection pressure maintenance.

11 Q. Let me make sure I understand what this exhibit
12 shows. For the 30-percent column, for the first line, it
13 shows 83,000 barrels recovery at 30 percent --

14 A. Yes.

15 Q. -- for the C 4.

16 A. That's correct. That's what the Snyder C 4 well
17 would be able to recovery under this pressure maintenance
18 program from its original oil in place.

19 Q. And the column to the right of that shows 45,471
20 barrels, and that's in excess of the 30-percent recovery?

21 A. No, what that is is really the difference between
22 primary depletion, which would be the column under 13.6
23 percent, and the pressure maintenance column, which is 30
24 percent. It's just the difference between the two recovery
25 factors, is all that represents.

1 Q. I see.

2 A. That's the amount of additional reserves that
3 could be recovered due to pressure maintenance.

4 Q. So the exhibit shows that the pressure
5 maintenance operation is benefiting production from the
6 Snyder C 4; is that right?

7 A. That's true. And of course, Exhibit 22 shows the
8 cost to the unit working interest owners of supporting that
9 pressure and supporting that additional recovery.

10 Q. All right. Let's briefly look at Exhibit 24.
11 Would you explain that to the Hearing Examiner, please?

12 A. Exhibit 24 is an exhibit that was presented by
13 Gillespie at a prior hearing, which just graphically shows
14 the difference in the recoveries. The triangles would be
15 what the recoveries would be without pressure maintenance.
16 The squares are where the reservoir pressure is currently
17 at. And then the 30 percent at the far right-hand corner,
18 which is somewhere between 4.5 million barrels and 5
19 million barrels, shows what the ultimate recovery from the
20 unit would be at a 30-percent recovery factor.

21 Q. And you relied on the data shown in this exhibit?

22 A. And also the pre-unitization reservoir study that
23 determines what these percentages would be under each
24 production-type case.

25 Q. All right. Does Energen continue to recommend

1 that the allowable for certain wells in the pool be
2 reduced?

3 A. Yes.

4 Q. And are you proposing a more specific methodology
5 to accomplish that?

6 A. Yes.

7 Q. Let's look at Exhibit 25, and if you could use
8 that to explain how that methodology would operate.

9 A. Exhibit 25 shows three of the tracts -- the EC 1,
10 the C 4, and the Beadle -- that are currently completed, as
11 well as outside the unit. It also shows the F 3, which is
12 a well that's currently drilling outside the unit. And
13 then it shows the West Lovington-Strawn tracts 1 through
14 14, which is the current unit.

15 It shows what the cumulative production is for
16 each one of those tracts and for the unit, through the end
17 of July, 1999, which is the latest production history that
18 I have.

19 Then it shows in three broad headings the
20 "Technical Committee", the "C.B. Gillespie, Jr.", and the
21 "Energen Compromise". Those are the three geological
22 interpretations that I referred to earlier in Exhibit 23.

23 The technical committee is dated 2-12-99. That's
24 basically when the HPV map was drawn by the technical
25 committee and approved at a later technical committee

1 meeting.

2 The HPV acre-feet is the HPV acre-feet for each
3 one of these tracts that I've mentioned earlier for the EC
4 1, the C 4, the Beadle, the F 3 location, and the West
5 Lovington-Strawn unit.

6 The original oil in place in stock tank barrels
7 is nothing more than an equation of a constant times the
8 HPV, divided by the formation volume factor. And that
9 comes up with the oil originally in place for each one of
10 those tracts.

11 The recovery in stock tank barrels is using the
12 30 percent that were expected to recover under the gas
13 injection pressure maintenance operation.

14 And then the difference column, which is the next
15 one over, shows the difference between the recovery under a
16 tract versus its cumulative production. If it is a
17 positive number, that means that the well has produced more
18 than its recovery under that tract. If it's a negative
19 number, that means it's underproduced and has not yet
20 recovered the oil under its tract.

21 And of course this is dependent upon what the HPV
22 is and how much oil originally in place, and so I have it
23 for each one of the three geological interpretations, going
24 from the technical committee to the Gillespie presentation,
25 which was at the 7-16 meeting, and then the Energen

1 compromise, which was the 8-2 map.

2 And so of course, there's all different
3 interpretations on the HPV, resulting in different oil in
4 place. But in all cases, the C 4 is overproduced in all
5 cases.

6 Q. Now, using these data shown on Exhibit 25, how
7 would you use that as a tool to determine an allowable
8 reduction?

9 A. Well, if a well is overproduced, then that would
10 lead you to believe that it's producing oil from some other
11 tracts. And the other tracts in this case that the
12 overproduced lease is producing from is the unit, because
13 we have gas injection, which is basically -- would be
14 causing any excessive production to be going from the unit
15 to the overproduced tract.

16 It would be reasonable that only overproduced
17 wells would be subject to a temporary production reduction
18 until the unit was expanded and ratified.

19 Q. Now, in this case, since you have data under
20 three different scenarios, three different HPV
21 interpretations, are you recommending that the data for the
22 technical committee HPV determination be utilized by the
23 Examiner in this case?

24 A. Well, that's the only one that the technical
25 committee has agreed upon.

1 Of course, there have been changes since then.
2 The Beadle well has been drilled, and the HPV under the
3 Beadle tract is less than what was determined under the
4 technical committee map. And also the F 3 well is going to
5 be logged at some soon date, and so we'll have information
6 on it.

7 Q. All right.

8 A. But in any case, Energen would be willing to use
9 whatever the maximum was as far as determining whether a
10 well was overproduced or not.

11 Q. All right. By using this methodology, there
12 wouldn't be a need to reduce the allowable poolwide, would
13 there?

14 A. Well, the pool has definitely not produced its
15 30-percent recovery yet.

16 Q. All right.

17 A. So it wouldn't be subject to it.

18 Q. Now, by applying the allowable reduction
19 criterion to those wells that have exceeded the 30-percent
20 recovery factor, would there be any further need to provide
21 a special exemption for production from the Beadle Number
22 1?

23 A. No, the Beadle Number 1 could be -- the same
24 criteria would be applicable to the Beadle Number 1 and the
25 F 3.

1 Q. All right. And this Application, Energen had
2 requested that the allowable reduction not apply to the
3 Beadle Number 1, as it was a new well and test data was
4 being gathered. With this new criterion, would that be
5 necessary any longer?

6 A. No, that wouldn't be necessary because the Beadle
7 well would be allowed to recover the oil that's under its
8 tract. It would be entitled to recover that volume of oil.

9 Q. But is Energen still proposing to make the 30-
10 percent recovery factor criterion applicable to the Beadle
11 well?

12 A. Yes.

13 Q. All right. Now, are any -- I'm sorry, were you
14 finished?

15 A. Yes.

16 Q. Are any royalty interest owners, other than those
17 in the acreage dedicated to the production units for the
18 overproduced wells, affected by the 30-percent recovery
19 factor criterion?

20 A. No, only the royalty owners within the tracts
21 that are overproduced would be affected.

22 Q. I see. Would you explain how reducing the
23 allowables for these particular wells would serve to
24 protect correlative rights in this case?

25 A. Well, any -- The wells that are overproduced are

1 draining hydrocarbons from other tracts, and that is
2 damaging the correlative rights of the other tracts. If
3 the allowable is reduced temporarily on those overproduced
4 tracts, then that will alleviate some of the damage that's
5 already occurred.

6 Q. Would application of the allowable reduction
7 criteria in this manner adversely affect correlative rights
8 or otherwise result in waste?

9 A. Well, it wouldn't affect the correlative rights
10 of the tracts that are overproduced, because they've
11 already recovered the oil that they're entitled to under
12 their tract. So it would not damage their correlative
13 rights, but it would protect the correlative rights of the
14 tracts being drained.

15 Q. All right. Would any waste result by virtue of
16 reducing the allowables for those overproduced wells?

17 A. No waste would occur.

18 Q. Is the granting of the relief requested by
19 Energen otherwise in the interest of conservation?

20 A. Yes.

21 Q. Mr. Kahn, in your opinion has Energen cooperated
22 in every reasonable manner with the unit operator in order
23 to promote expansion of the unit, coordinate drilling and
24 development in the pool?

25 A. Yes, we have cooperated with everything that's

1 reasonable. The one thing that we have disagreement about
2 is the fact that the F 3 well was not delayed. We did not
3 see any reason for drilling the F 3 well prior to the
4 expansion of the unit, since there was no need to do it.

5 I think that the drilling of the F 3 well has --
6 its real effect has been to delay unit expansion by several
7 months, because at this point, now, we haven't been able to
8 agree upon a map until the F 3 well is logged and we can
9 once again try to have a technical committee meeting to
10 resolve the HPV map with the data that has been applied by
11 the F 3 well.

12 But I think the F 3 well is a good example of the
13 conflict of interest on the part of the operator.
14 Gillespie is the operator of the unit, and he's also the
15 operator of the C 4 well and the F 3 well outside the unit.
16 And it's the responsibility of the unit operator to protect
17 the interest of the unit interest owners. And by delaying
18 the unit expansion and drilling the F 3 well, it adversely
19 affects the unit and benefits the outside operator. Mr.
20 Gillespie is also the unit operator.

21 Q. Did Energen cooperate with the unit operator and
22 the operator of the offset wells in the creation of a
23 border agreement?

24 A. Yes, they did.

25 Q. Explain briefly to the Hearing Examiner how that

1 border agreement is to work.

2 A. Very briefly, the working interest portion of the
3 residue gas that's owned by Energen and Gillespie from the
4 Beadle well and the Snyder wells would be available to the
5 unit for re-injection. The revenue from the gas, from that
6 gas, would be deferred until blowdown. So there would be
7 no revenue applicable to Energen and Gillespie for the
8 residue gas. The royalty owners would receive payment for
9 the gas. And, in the case of the Beadle well, we have an
10 outside working interest owner, and he would not be subject
11 to the border agreement.

12 Q. Now, does the scope of the border agreement
13 address all of the issues that are associated with the
14 unit-expansion process?

15 A. No, the main issue that the border agreement does
16 not address is the fact that drainage is occurring. All
17 that the border agreement does is says that the residue gas
18 will be available for injection, and that when blowdown
19 occurs, then on a last-in, first-out basis, Gillespie and
20 Energen will be able to recover the value of that gas when
21 it's sold.

22 So it's not taking the revenue away from the
23 working interest owners, it is only deferring it until
24 blowdown.

25 Q. All right. So the border agreement is not a

1 substitute for unit expansion?

2 A. It definitely is not, as all it does is just
3 makes more gas available for re-injection.

4 Q. Mr. Kahn, were Exhibits 21, 22, 23 and 25
5 prepared by you or at your direction and control?

6 A. Yes.

7 MR. HALL: We'd move the admission of Exhibits 21
8 through 25. Exhibit 24 is Exhibit 4 from Case Number
9 12,171, a Gillespie exhibit. We ask it be admitted as
10 well.

11 EXAMINER STOGNER: Any objection?

12 MR. BRUCE: (Shakes head)

13 MR. OWEN: No objection.

14 EXAMINER STOGNER: These exhibits, 21 through 25,
15 will be admitted into evidence at this time.

16 Mr. Bruce, your witness.

17 CROSS-EXAMINATION

18 BY MR. BRUCE:

19 Q. Just a couple of questions. Mr. Kahn, what is
20 the producing rate of the Beadle Well Number 1 at this
21 time?

22 A. The Beadle well is not yet on production. It is
23 expected to be on production by the -- I believe the 20th
24 of this month.

25 Q. Is it awaiting a pipeline connection?

1 A. Yes.

2 Q. So you haven't been able to -- other than maybe a
3 brief test -- make any determination of the reserves in
4 that well?

5 A. No, we have tested it for a short period of time,
6 but we do not have anything further than that.

7 MR. BRUCE: That's all I have, Mr. Examiner.

8 EXAMINER STOGNER: Mr. Owen?

9 MR. OWEN: No questions, Mr. Examiner.

10 EXAMINATION

11 BY EXAMINER STOGNER:

12 Q. Okay, let's see if I can get this straight now.
13 Now the call of this case was to reduce the depth bracket
14 allowable, but I'm hearing something otherwise today.
15 That's not what Energen wants?

16 A. Well, I think it would be in the best interest of
17 all of the parties that if a well is overproduced then it's
18 already recovered its right of capture, and that anything
19 in excess of that is being drained from other tracts, and
20 therefore it would be reasonable that the overproduced
21 wells would be subject to the temporary reduction in
22 allowable.

23 Q. Was there an allowable assigned to the pressure-
24 maintenance project in this pool?

25 A. There was an original allowable, I think, of 450

1 barrels a day, but then that was reduced to 250 barrels a
2 day.

3 Q. And that's for wells inside and outside of the --

4 A. I believe that was for the entire pool.

5 Q. So your contention with Exhibit Number 25 is to
6 show that there are some wells that are overproduced from
7 this 250 barrels a day?

8 A. Overproduced from the amount of oil that they're
9 entitled to recover from the volume under their tract. Not
10 due to the fact that they've produced 250 barrels a day,
11 but this is based on what the oil in place is under their
12 tract, times the recovery factor that can be accomplished
13 through pressure maintenance. And anything produced over
14 that is oil that's being recovered from other tracts.

15 Q. Okay, so what do you want to reduce the number,
16 from 250 to what at this time?

17 A. Well, we had originally requested it be reduced
18 to 50 barrels a day.

19 Q. And that still stands?

20 A. Yes, sir.

21 Q. For everybody, or just these two wells?

22 A. The wells that are overproduced, and any well
23 that becomes overproduced, which would include the Beadle
24 and the F 3 well.

25 Q. Okay. When you say overproduced, that's in --

1 that's not overproduced as far as -- what? The OCD and its
2 allowable scheme --

3 A. No, sir, it has nothing to do with the allowable.
4 It only has to do with the recoverable oil from the oil in
5 place.

6 Q. Okay. So which wells would be -- are you
7 proposing that this 50 barrels a day be applied to?

8 A. Well, currently, under the technical committee
9 HPV volumes, the two wells would be the EC 1 and the C 4.
10 However, the EC 1 only produces 1100 barrels a month
11 anyway, so it really -- It's not capable of producing 250
12 barrels a day. So it -- And it doesn't show to be
13 overproduced under the Gillespie map or the Energen
14 compromise map.

15 Q. Okay, so to answer my question, the 50 barrels of
16 oil per day would only apply to the EC Number 1 and the C
17 Number 4?

18 A. Right.

19 Q. And any other well or proposed well, including
20 the Beadle Number 1, would be able to produce up to 250
21 barrels a day?

22 A. Until it recovered the oil it was entitled to
23 under a 30-percent recovery factor of the oil in place.

24 MR. HALL: Okay, I was trying to see where that
25 is in the advertisement here.

1 Mr. Hall, is this beyond what you're requesting
2 in your ad? I see this as just a straight depth-bracket
3 allowable change, and what I'm hearing today is something
4 totally different, that we restrict just two wells, or
5 restrict wells on a -- we're just restricting production on
6 certain wells. Isn't that kind of beyond what you're
7 asking for?

8 MR. HALL: No, I think it's a much narrower
9 application, well within the scope of what's been
10 advertised. The scope of the earlier application was for a
11 reduction poolwide. We're still asking for a reduction,
12 but according to a criterion that we've offered evidence
13 on, it would be applicable to certain wells only, and I
14 think that's well within the scope of the advertisement,
15 much narrower relief that's requested.

16 MR. BRUCE: Mr. Examiner, could I ask you or Mr.
17 Kahn or Mr. Hall a question? Are you asking for any
18 production restrictions on wells currently within the unit?

19 THE WITNESS: I can answer that. No, as a unit,
20 the unit is not producing anything close to 250 barrels a
21 day per well right now. There are 13 wells in the unit,
22 and the unit is only producing 30,000 barrels a month. So
23 it's well below that.

24 If I may add, that calculates out to 77 barrels a
25 day per each of the 13 wells in the unit.

1 Q. (By Examiner Stogner) Okay, now many wells are
2 currently producing again? I know this is redundant, but I
3 don't have the transcript out in front of me on this
4 particular matter. How many wells outside of the unit are
5 currently producing? We've got the EC 1 and the EC 4. How
6 about that Culp Julia Number 2 up there in Tract 18.

7 A. That is not a Strawn well.

8 Q. Okay. So are there any other wells?

9 A. No, sir. Actually, at the current time there's
10 only two wells producing outside the unit. The Beadle well
11 will not be on production for several more days. And the
12 F 3 well is currently drilling.

13 Q. Okay, again, why shouldn't the Beadle well have
14 the 50-barrels-of-oil-per-day limit that you're proposing?

15 A. Well, it would have 50 barrels a day after. On
16 the lowest case, which is the Gillespie map, the Beadle
17 well would produce 5776 barrels under that case, and then
18 it would be subject to the 50 barrels a day. That would
19 represent less than one month's production.

20 With the allowable, the production would be
21 approximately 7500 barrels a month, so it would be well
22 below that. Even on the Energen compromise map, it would
23 be well below that.

24 Q. How would we administer this scheme that you're
25 coming up with? What would we have to track?

1 A. Sir, I'm not familiar with how the State would
2 administer it.

3 Q. Me neither, that's the reason I'm asking you.
4 How would we administer it with the resources that we have?

5 A. Well, I would say that an order could be issued
6 that temporarily reduced the allowable under certain
7 circumstances, until -- This is only temporary, until the
8 unit is expanded. Once the unit expanded, all of this is
9 not in effect.

10 Q. I guess I'm asking this question under the
11 assumption that the unit expansion won't go through, or
12 ratified, I should say.

13 A. Well, if the unit expansion doesn't go through,
14 then it would really result in a lot of waste, because the
15 pressure is currently dropping at a rapid rate. Once the
16 Beadle well and the F 3, if it's completed as a successful
17 well -- Once those two wells are on production, the
18 pressure is going to decrease even more rapidly, resulting
19 in lower recovery than 30 percent determined by pressure
20 maintenance.

21 Q. Okay, say that again. Waste will occur if it's
22 not ratified. Why?

23 A. The pressure is dropping. The current pressure
24 on the Beadle well is approximately 3185 pounds, which is a
25 significant decrease from the May pressure, which was

1 approximately 3220.

2 Once the Beadle well and, if the F 3 is a
3 successful completion, once those two wells are also put on
4 production, the pressure is going to drop even more
5 drastically, which then is going to cause more free gas to
6 be released from solution and produced, and then the
7 recovery factor is going to be less than the 30 percent
8 determined by the reservoir study, because we're not able
9 to purchase enough gas under economic conditions as they
10 are and maintain the pressure with all of the withdrawals
11 that are occurring outside the unit.

12 Basically, what's happening is, the unit owners
13 are having to pay a tremendous amount of additional money
14 for makeup gas to try to support the pressure. And with
15 more wells producing outside the unit, this will even be a
16 greater burden, even with the border agreement in effect.
17 Up to date it's cost \$850,000 to support the pressure -- to
18 support the withdrawals from the Snyder wells. It would
19 even cost more with two additional wells added to that.

20 EXAMINER STOGNER: Are there any other questions
21 of this witness?

22 MR. BRUCE: (Shakes head)

23 MR. OWEN: No questions.

24 EXAMINER STOGNER: You may be excused.

25 MR. HALL: Mr. Stogner, Phillips Petroleum

1 Company sent a letter dated September 15, 1999, in support
2 of the Applications in this case, and they asked that it be
3 incorporated into the record.

4 EXAMINER STOGNER: Mr. Bruce, Mr. Owen, do either
5 of you have anything further in this case?

6 MR. BRUCE: Mr. Examiner, just a couple of
7 things. I don't have any witnesses. As I informed Mr.
8 Hall, I had witness-availability problems, and rather than
9 seek a continuance, since Energen was ready to go on today,
10 since the case is continued, I'm going to supply this data
11 to my client and see if they desire to present further
12 testimony.

13 The only other thing is, on Exhibit 1 I did want
14 to state for the record that the last entry on Exhibit 1,
15 Energen Exhibit 1, Energen did write to the Division
16 stating that it had no objection to the changes requested
17 by Hanley Petroleum, Inc.

18 Gillespie Oil, Inc., has no objection to those
19 changes either. I had informed Mr. Carr of that, but I
20 neglected to write a letter stating that there was no
21 objection.

22 EXAMINER STOGNER: Okay. Mr. Adams, would you
23 like to make a statement at this time?

24 MR. ADAMS: Thank you, sir.

25 The small royalty owners of the Beadle Number 1

1 sure would appreciate any consideration you could give to
2 their well. They've waited, in my family's case, since the
3 Depression Thirties to recover anything from this
4 investment they were forced to make because of the
5 Depression. There's never been any oil ever produced from
6 that acreage, while these other people at Snyder have been
7 doing it for more 30 years, depleting, by their own
8 admission the reservoir.

9 Surely that well could have just a little extra
10 to make up for all those years that everybody else enjoyed
11 the benefits and got all the good days out of it.

12 Thank you.

13 EXAMINER STOGNER: Thank you, Mr. Adams.
14 Appreciate your coming up today and entering an appearance
15 and making a statement. Thank you, sir.

16 This case is going to be continued to the October
17 7th hearing.

18 With that, then, today's hearing is adjourned.

19 (Thereupon, these proceedings were concluded at
20 12:00 noon.)

21 * * *

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 12086,
25 heard by me on 16 Sept. 1999.
Examiner
Oil Conservation Division

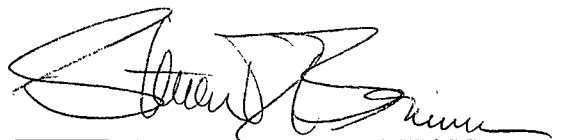
CERTIFICATE OF REPORTER

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 September 19th, 1999.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002