

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:)

APPLICATION OF FASKEN LAND AND)
 MINERALS, LTD., FOR COMPULSORY)
 POOLING AND AN UNORTHODOX GAS WELL)
 LOCATION, EDDY COUNTY, NEW MEXICO)

CASE NOS. 11,877

APPLICATION OF REDSTONE OIL AND GAS)
 COMPANY FOR COMPULSORY POOLING AND)
 UNORTHODOX GAS WELL LOCATION,)
 EDDY COUNTY, NEW MEXICO)

and 11,927

(Consolidated)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 19, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 19th, 1998, 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.

* * *

I N D E X

February 19th, 1998
Examiner Hearing
CASE NOS. 11,877 and 11,927 (Consolidated)

PAGE

REPORTER'S CERTIFICATE

8

* * *

E X H I B I T S

| Redstone | Identified | Admitted |
|------------|------------|----------|
| Exhibit 14 | 5 | 6 |
| Exhibit 15 | 5 | 6 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR REDSTONE OIL AND GAS COMPANY:

JAMES G. BRUCE, Attorney at Law
612 Old Santa Fe Trail, Suite B
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:05 a.m.:

3 EXAMINER STOGNER: Because I'm not too sure of
4 where we're at on this, I'm going to call Case 11,877.

5 MR. CARROLL: Application of Fasken Land and
6 Minerals, Ltd., for compulsory pooling and an unorthodox
7 gas well location, Eddy County, New Mexico.

8 EXAMINER STOGNER: Would somebody bring me up to
9 date on this matter?

10 MR. KELLAHIN: Yes, Mr. Examiner.

11 I'm Tom Kellahin of the Santa Fe law firm of
12 Kellahin and Kellahin.

13 The Fasken case, as well as the Redstone pooling
14 case that's shown later in the docket, were heard by
15 Examiner Catanach at the last hearing on -- What was that?
16 February 5th?

17 EXAMINER STOGNER: -- for evidentiary purposes.
18 Mr. Catanach allowed Redstone and Fasken to proceed with
19 the presentation of both of those cases.

20 The Redstone case is on the docket today for
21 advertisement purposes only.

22 The Fasken case is on the docket today but needs
23 to be continued to the March 5th docket, because subsequent
24 to the hearing Fasken amended its application to include an
25 alternative orientation for the spacing unit. And so it's

1 been readvertised for the 5th.

2 But in terms of evidence, we had the presentation
3 of the witnesses on February 5th.

4 EXAMINER STOGNER: Mr. Bruce?

5 MR. BRUCE: I agree with Mr. Kellahin, and if you
6 could call the Redstone case at this time, I have a couple
7 of affidavits to introduce, and we can get that case out of
8 the way also.

9 EXAMINER STOGNER: If there's no objection, then
10 at this time I'll call Case Number 11,927.

11 MR. KELLAHIN: No objection, same appearances,
12 Mr. Examiner.

13 EXAMINER STOGNER: Okay.

14 MR. CARROLL: Application of Redstone Oil and Gas
15 Company for compulsory pooling and unorthodox gas well
16 location, Eddy County, New Mexico.

17 EXAMINER STOGNER: Mr. Bruce?

18 MR. BRUCE: Mr. Examiner, as Mr. Kellahin stated,
19 the testimony was presented in this case, and I have for
20 submission today an affidavit regarding notice and an
21 affidavit from my landman, marked Exhibits 14 and 15,
22 which -- The affidavit of the landman simply shows that he
23 sent out a notice -- or a proposal letter to the interest
24 owners involved.

25 I would note also that Mr. Kellahin, on behalf of

1 Fasken Land and Minerals, has filed a Motion to Dismiss,
2 which I have not had a chance to respond to, and I believe
3 once I respond to it we should probably argue that in front
4 of Mr. Catanach.

5 MR. KELLAHIN: Procedurally, Mr. Stogner, Mr.
6 Bruce is right, there is a Motion to Dismiss the Redstone
7 Application. I would recommend to you that we keep these
8 all before Mr. Catanach.

9 I also have some affidavits to submit, which we
10 will do so prior to the February 5th hearing. Mr. Bruce
11 and I will coordinate with Mr. Carroll and Mr. Catanach how
12 to complete these two cases.

13 MR. BRUCE: I move the admission of the Exhibits
14 14 and 15, Mr. Examiner.

15 MR. KELLAHIN: I have no objection.

16 EXAMINER STOGNER: Exhibits 14 and 15 will be
17 admitted into evidence and made part of the record of Case
18 11,927.

19 Is there anything further by either party at this
20 particular time?

21 MR. BRUCE: No, sir.

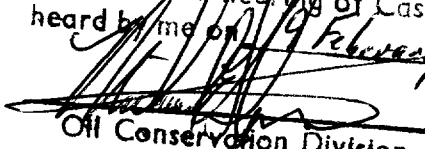
22 EXAMINER STOGNER: Okay, I'm going to defer the
23 Motion to Dismiss the Redstone case filed by Fasken to
24 March 5th, at which time Case Number 11,927 will be
25 continued to March 5th, as will Case Number 11,877, which I

1 understand has been readvertised and continued for March
2 5th.

3 If there's nothing further in either of those
4 cases, we'll be prepared to move along to the second page.

5 (Thereupon, these proceedings were concluded at
6 9:10 a.m.)

7 * * *

8
9
10
11
12
13
14
15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case Nos. 118774-111927
19 heard by me on 19 February 1998.
20  , Examiner
21 Oil Conservation Division
22
23
24
25

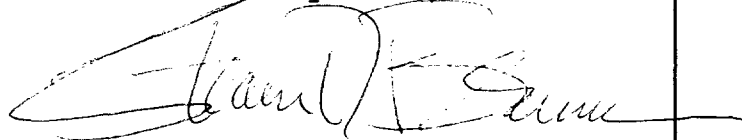
CERTIFICATE OF REPORTER

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 February 20th, 1998.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL & GAS
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO

Case NO. 11, 927

AFFIDAVIT OF JOE E. SMALL

STATE OF TEXAS)
COUNTY OF DALLAS) ss.

Joe E. Small, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am employed by Redstone Oil & Gas Company ("Redstone") as a petroleum landman. I am Redstone's Vice President - Land.

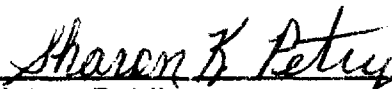
3. On February 9, 1998, I mailed a proposal letter to all working interest owners in Section 12, Township 23 South, Range 24 East, NMPM, regarding Redstone's proposed Rock Tank Well No. 5, to be located 500 feet FNL and 2515 feet FEL of Section 12. A copy of Redstone's proposal letter is attached hereto as Exhibit A.



Joe E. Small

SUBSCRIBED AND SWORN TO before me this 16th day of February, 1998, by Joe E. Small.





Notary Public

My Commission Expires:

NEW MEXICO
OIL CONSERVATION DIVISION

Redstone EXHIBIT 14

CASE NO. 11927



February 9, 1998

TO THE OWNERS ON THE ATTACHED LIST:

Re: Proposed Rock Tank #5
500' FNL & 2,515' FEL Section 12-23S-24E
NMPM, Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of our Operating Agreement dated January 1, 1970 covering all of Section 12-23S-24E as to the Morrow formation, and to our Operating Agreement dated August 1, 1967 covering the Rock Tank Unit, Redstone Oil & Gas Company (Redstone) hereby proposes the drilling of a well at the captioned location. Redstone proposed to drill this well to a depth of 10,500 feet or a depth sufficient to test the Lower Morrow formation, whichever is lesser. Our estimated dry hole cost is \$487,564 and our estimated total well cost is \$717,958. Attached is our AFE for the drilling and completing of this well.

The existing spacing for the Morrow is the 640 acres comprising all of Section 12. As to any gas zones below the top of the Wolfcamp which the Division spaces on 320 acres, Redstone proposes the owners form a spacing unit consisting of the N/2 of Section 12.

In accordance with the above mentioned Operating Agreements, please indicate your election to participate in the above proposal with thirty days from the receipt of this letter by signing and returning one copy of this letter and the AFE to me at your earliest convenience.



8235 DOUGLAS AVENUE, SUITE 1050
DALLAS, TEXAS 75225

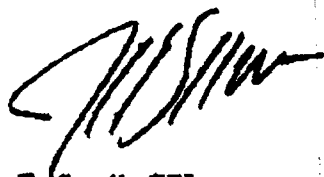
(214) 368-0202
FAX (214) 739-0061

Working Interest Owners
February 9, 1998
Page 2

If you have any questions regarding this matter, please advise.

Very truly yours,

REDSTONE OIL & GAS COMPANY



Joe E. Small, CPL
Vice President - Land

THE FOLLOWING ELECTION IS HEREBY MADE:

- ____ 1. We elect to participate in the drilling of the well as described above.
- ____ 2. We elect not to participate in the drilling of the well as described above

By : _____

Name: _____

Date: _____

Working Interest Owners

February 9, 1998

Page 3

Brooks Oil and Gas Interests

9696 Skillman, LB 34

Dallas, TX 75243

Max W. Coll II F/A/O

Rt. 9, Box 72F

Santa Fe, NM 87505

Fasken Oil & Ranch, Ltd.

303 West Wall, Suite 1900

Midland, TX 79701

Finwing Corporation

P.O. Box 10886

Midland, TX 79702

William Taylor Lagrone

P.O. Box 8020466

Dallas, TX 75380

Manta Oil and Gas Corp.

P.O. Box 10886

Midland, TX 79702

Petraltis Oil & Gas, Inc.

P.O. Box 10886

Midland, TX 79702

SES Oil & Gas, Inc.

214 W. Texas, Ste. 900

Midland, TX 79702-0371

Olwick Corp.

P.O. Box 10886

Midland, TX 79702

Redstone Oil & Gas Company

8235 Douglas Ave., Ste. 1050

Dallas, TX 75225

WELL COST ESTIMATE DRILLING AND COMPLETION

First Draft

State: N. Mexico County: Eddy Expenditure Type: (X) Development Drilling
Field: Rock Tank Lease: Rock Tank () Injection Well
Well Number: 5 File: () Exploratory Drilling
Location: 2480' FEL & 500' FNL, Sec. 12, T23S, R24E () Recompletion
Formation: Morrow
Estimated TD: 10,500 Feet

| | COST TO DRILL | COST TO COMPLETE | TOTAL WELL COST ESTIMATE | SUB ACCT | QTY |
|---------------------------------------------------------|------------------|---------------------|--------------------------------|-------------|-----|
| INTANGIBLE COSTS | | | | | |
| Location & Roads | \$25,000 | \$5,000 | \$30,000 | | |
| Damages & Right of Way | \$2,000 | | \$2,000 | | |
| Move in, Rig up and Rig down | \$0 | | \$0 | | |
| Drilling - Footage: 10,500' @ \$25.50/f | \$267,750 | | \$267,750 | | |
| Drilling - Daywork: 3 days @ \$6800 /day | \$20,400 | | \$20,400 | | |
| Fuel | \$0 | | \$0 | | |
| Cement & Cementing Services | \$24,800 | \$14,000 | \$38,800 | | |
| Mud & Chemicals | \$20,000 | | \$20,000 | | |
| Mud Logging: 10 days @ 400 /day | \$4,000 | | \$4,000 | | |
| Water, including water hauling | \$20,000 | | \$20,000 | | |
| Coring, Core Analysis | | | \$0 | | |
| Bits, Reamers & Mills | | | \$0 | | |
| Rentals | \$20,000 | \$10,000 | \$30,000 | | |
| Formation Testing | | | \$0 | | |
| Logging, Open Hole | \$14,000 | | \$14,000 | | |
| Trucking, Incl. Casing & Hot Shot Serv. | \$2,500 | | \$2,500 | | |
| Supervision (Engineering & Geological) | \$4,000 | \$5,250 | \$9,250 | | |
| Other, Drig Cost (misc. Labor) | \$2,500 | | \$2,500 | | |
| Overhead | \$1,000 | | \$1,000 | | |
| Completion, W.O. & Swabbing Units | | \$27,000 | \$27,000 | | |
| Logging Cased Hole | | \$3,000 | \$3,000 | | |
| Perforating | | \$5,800 | \$5,800 | | |
| Stimulation (acid) | | | \$0 | | |
| Completion Testing | | \$5,000 | \$5,000 | | |
| Other Compl Cost (misc Labor) | | \$2,500 | \$2,500 | | |
| Cement & Cement Services P & A | | | \$0 | | |
| Contingencies @ 5% | \$21,368 | \$3,868 | \$25,236 | | |
| TOTAL INTANGIBLE COSTS | \$449,138 | \$81,218 | \$530,356 | | |
| PERMANENT WELL EQUIPMENT | | | | | |
| Conductor Pipe | \$1,500 | | \$1,500 | | |
| Surface Casing 400', 13 5/8" @ \$17.79 /ft. | \$7,118 | | \$7,118 | | |
| Intermediate Casing 2500' 8 5/8" @ \$9.05 & 11.86 /ft. | \$24,030 | | \$24,030 | | |
| Production Casing: 10,500', 5 1/2" @ \$6.39 & 7.98 /ft. | | \$73,137 | \$73,137 | | |
| Tubing: 10200', 2 3/8" @ \$2.20 /ft. | | \$22,440 | \$22,440 | | |
| Casing & Tubing Heads | \$5,780 | \$3,800 | \$9,580 | | |
| XMAS Tree & Manifold Assembly | | \$4,500 | \$4,500 | | |
| Production Packer/Anchor Catcher | | \$8,000 | \$8,000 | | |
| Sucker Rods & Bottom Hole Pump | | | \$0 | | |
| Compressor | | | \$0 | | |
| Labor | | \$10,000 | \$10,000 | | |
| Treating, Separation & Tank Bty. Equip | | \$10,000 | \$10,000 | | |
| Flowlines, Gas Lines | | \$5,000 | \$5,000 | | |
| Misc. Fillings | | \$10,000 | \$10,000 | | |
| Trucking (Other than casing) | | \$1,500 | \$1,500 | | |
| Other | | \$1,000 | \$1,000 | | |
| TOTAL WELL EQUIPMENT | \$38,428 | \$148,177 | \$186,605 | | |
| TOTAL COST | \$487,566 | \$230,395 | \$717,961 | | |

RECOMMENDED BY: Scott Royal

DATE: 2/1/98

OPERATOR APPROVAL: REDSTONE OIL & GAS COMPANY

BY: [Signature]

DATE: 2/1/98

TITLE: [Signature]

JOINT INTEREST APPROVAL: _____

BY: _____

DATE: _____

TITLE: _____

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF REDSTONE OIL &
GAS COMPANY FOR COMPULSORY
POOLING AND AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO.

Case No. _____

AFFIDAVIT REGARDING NOTICE

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

James Bruce, being duly sworn upon his oath, deposes and states:

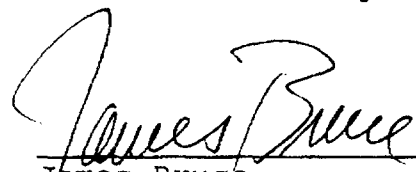
1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Applicant.

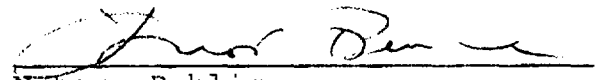
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.

4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

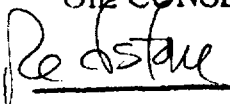
5. Applicant has complied with the notice provisions of Division Rule 1207.


James Bruce

SUBSCRIBED AND SWORN TO before me this 4th day of February, 1998, by James Bruce.


Notary Public

My Commission Expires:
3/14/2001

NEW MEXICO
OIL CONSERVATION DIVISION
 EXHIBIT 15

CASE NO. _____

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

January 28, 1998

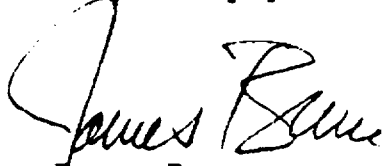
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

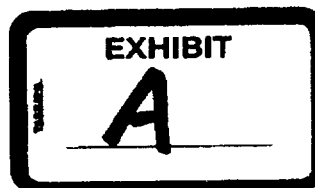
Fasken Land and Minerals, Ltd.
Suite 1900
303 West Wall Street
Midland, Texas 79701

Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling filed at the New Mexico Oil Conservation Division by Redstone Oil & Gas Company regarding the Section 12, Township 23 South, Range 24 East, NMPM, Eddy County, New Mexico. This matter will be heard at 8:15 a.m. on Thursday, February 19, 1998 at the Division's offices at 2040 South Pacheco Street, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and participate in the case. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce
Attorney for Redstone
Oil & Gas Company



Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an additional fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Fasken Land & Mineral Ltd
303 W. Wall Suite 1900
Midland, Tx 79701

4a. Article Number

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

1-30-98

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

[Signature]

PS Form 3811, December 1994

102905-97-8-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

Z 432 549 368

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

| | |
|-------------------------------------------------|---------|
| Sent to | |
| Fasken Land & Minerals | |
| Street & Number | |
| 303 W. Wall, Suite 1900 | |
| Post Office, State, & ZIP Code | |
| Midland, TX 79701 | |
| Postage | \$ 2.55 |
| Certified Fee | 1.35 |
| Special Delivery Fee | |
| Restricted Delivery Fee | |
| Return Receipt Showing to Whom & Date Delivered | 1.10 |
| TOTAL Postage & Fees | \$ 3.92 |
| Postmark or Date of Delivery | |

PS Form 3800, April 1995