

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 MATADOR PETROLEUM)
CORPORATION FOR APPROVAL OF AN)
UNORTHODOX GAS WELL LOCATION AND TO)
AMEND ORDER NO. R-10,872-B TO APPROVE A)
STANDARD 600.01-ACRE GAS SPACING AND)
PRORATION UNIT, EDDY COUNTY, NEW MEXICO)

APPLICATION OF TEXACO EXPLORATION AND)
PRODUCTION, INC., FOR COMPULSORY POOLING,)
AN UNORTHODOX GAS WELL LOCATION AND)
NONSTANDARD SPACING AND PRORATION UNITS,)
EDDY COUNTY, NEW MEXICO)

APPLICATION OF TEXACO EXPLORATION AND)
PRODUCTION, INC., FOR COMPULSORY POOLING,)
AN UNORTHODOX GAS WELL LOCATION AND)
NONSTANDARD PRORATION UNITS, EDDY COUNTY,)
NEW MEXICO)

CASE NOS.

OIL CONSERVATION DIV.
99 JAN 21 PM 2:49
1251

and 12,105

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

ORIGINAL

January 7th, 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, January 7th, 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.

* * *

I N D E X

January 7th, 1999
 Examiner Hearing
 CASE NOS. 12,034, 12,051 and 12,105 (Consolidated)

PAGE

REPORTER'S CERTIFICATE

11

* * *

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 MATADOR:

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

FOR TEXACO:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

(Continued...)

A P P E A R A N C E S (Continued)

FOR PENWELL ENERGY, INC.:

LOSEE, CARSON, HAAS & CARROLL, P.A.
311 West Quay
Post Office Box 1720
Artesia, New Mexico 88210
By: ERNEST L. CARROLL

FOR MEWBOURNE OIL COMPANY:

KREHBIEL, BANNERMAN & HORN, P.A.
6400 Uptown Blvd. NE
Suite 310 East
Albuquerque, NM 87110
By: RONALD F. HORN

ALSO PRESENT:

MARK W. ASHLEY
NMOC Hearing Examiner/Petroleum Geologist
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:56 a.m.:

3 EXAMINER STOGNER: At this time, on page 4, I'm
4 going to call Cases 12,034, 12,051 and 12,105.

5 MR. RAND CARROLL: Application of Matador
6 Petroleum Corporation for approval of an unorthodox gas
7 well location and to amend Order No. R-10,872-B to approve
8 a standard 600.01-acre gas spacing and proration unit, Eddy
9 County, New Mexico.

10 Application of Texaco Exploration and Production,
11 Inc., for compulsory pooling, an unorthodox gas well
12 location and nonstandard spacing and proration units, Eddy
13 County, New Mexico.

14 And Application of Texaco Exploration and
15 Production, Inc., for compulsory pooling, an unorthodox gas
16 well location and nonstandard proration units, Eddy County,
17 New Mexico.

18 EXAMINER STOGNER: Cases 12,034 and 12,051 were
19 heard -- called and heard on December the 3rd. We
20 continued it to this time.

21 12,105 is essentially an amendment to 12,051 and
22 is a new case being considered today.

23 At this time I'll call for appearances.

24 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
25 the Santa Fe law firm of Kellahin and Kellahin, appearing

1 on behalf of Matador Petroleum Corporation.

2 MR. CARR: May it please the Examiner, my name is
3 William F. Carr with the Santa Fe law firm Campbell, Carr,
4 Berge and Sheridan, and I'm entering our appearance in this
5 matter for Texaco.

6 MR. ERNEST CARROLL: Mr. Examiner, I'm Ernest
7 Carroll of the Artesia law firm of Losee, Carson, Haas and
8 Carroll, and I'm appearing today on behalf of Penwell
9 Energy, Inc., and I have no witnesses.

10 MR. HORN: Mr. Examiner, I'm Ron Horn of the
11 Albuquerque firm Krehbiel, Bannerman and Horn, entering an
12 appearance on behalf of Mewbourne Oil Company, and I have
13 one affidavit to offer.

14 EXAMINER STOGNER: Okay. Mr. Kellahin or Mr.
15 Carr, since you represent the Applicants in this
16 matter -- ?

17 MR. CARR: May it please the Examiner, as you'll
18 recall, the case was called and evidence presented on
19 December the 3rd. On motion of Texaco, it was continued to
20 this date to enable Texaco to review certain evidence it
21 had received and to appear at this time and present
22 evidence.

23 I can advise you that Texaco has no witness and
24 no evidence to present in this hearing.

25 I would request that the cases all be

1 consolidated and that an order be entered on the record
2 made by Matador at the December 3rd hearing.

3 EXAMINER STOGNER: Mr. Kellahin?

4 MR. KELLAHIN: Mr. Examiner, Matador's position
5 is that we have presented to you our entire evidentiary
6 case back on December 3rd, that one order entered in this
7 case will resolve all three cases, that we're here in
8 support of Mewbourne's affidavit to clarify an issue about
9 the production levels on the Catclaw Draw 1 well that is
10 currently producing in the south half of Section 1, to
11 remove any doubt about the compliance with the production
12 penalty that's currently in existence on that well,

13 I'm here to submit to you a proposed order for
14 entry in this case. We believe we have consolidated the
15 south two-thirds of this section on a voluntary basis.
16 There's agreement on how to proceed, and that agreement
17 involves the drilling of the well that Matador is
18 advancing. It is the old Fasken well location that has
19 been heard in various hearings.

20 We're here to report to you that we can comply
21 with the Division requirements for a single designated
22 operator. That operator, by agreement, is to be Fasken Oil
23 and Ranch, Limited. The proposed order indicates all those
24 appropriate findings which we believe support granting
25 Matador's Application and concurrently denying the two

1 Applications submitted by Texaco.

2 EXAMINER STOGNER: And do you have that to submit
3 today, you said?

4 MR. KELLAHIN: Yes, sir, I do.

5 MR. RAND CARROLL: And you have no objection to
6 consolidating all three cases?

7 MR. KELLAHIN: No, sir.

8 EXAMINER STOGNER: Mr. Carroll?

9 MR. ERNEST CARROLL: Mr. Examiner, Penwell, one,
10 has no objection to the consolidation of all these cases.
11 Penwell has no evidence to produce.

12 Penwell would only call attention to the
13 statement that I made earlier on December 3rd that Penwell
14 is an offset acreage holder, that it has made an agreement
15 both with Matador and Texaco that they would not object to
16 whatever location was adopted by the Commission as an
17 unorthodox location, and that these two parties, in
18 obtaining our position, had agreed that they would not
19 object to Penwell's unorthodox locations, which they hope
20 may be proposed in the future. And that's all.

21 So we have no objection that the Commissioner --
22 or Examiner, take this case under advisement on the basis
23 of the record made on December 3rd.

24 EXAMINER STOGNER: Thank you, Mr. Carroll.

25 Mr. Horn?

1 MR. HORN: Mr. Examiner, Mewbourne does not
2 object to the consolidation. If I may, I would like to
3 distribute an affidavit that Mewbourne would offer at this
4 time, an affidavit of Bryan Montgomery.

5 At the hearing on December 3rd, Mr. Examiner, in
6 the testimony of Mr. Ventura, there was an implication that
7 perhaps the penalty provision on the allowable for the
8 Catclaw Draw Number 1 well operated by Mewbourne had not
9 been complied with.

10 This affidavit clarifies the record that, in
11 fact, the penalty provision has been complied with. And
12 there is an attachment to this affidavit showing actual
13 production through the end of November. There was another
14 deliverability test done in December, and Mr. Montgomery
15 indicates that they are in compliance with the allowable
16 under the new deliverability test as well.

17 And we would offer this affidavit of Mr.
18 Montgomery at this time. He is a reservoir engineer who
19 has previously testified before the Division.

20 EXAMINER STOGNER: Mr. Horn, now, Mr. Montgomery
21 didn't appear at the hearing on the 3rd, did he?

22 MR. HORN: No, he did not.

23 EXAMINER STOGNER: Okay, help me remember. What
24 was Mr. Ventura's qualifications? An engineer, or landman
25 or --

1 MR. KELLAHIN: Reservoir engineer, Mr. Examiner.

2 EXAMINER STOGNER: Reservoir engineer, okay.

3 Is Mr. Montgomery his supervisor or --

4 MR. HORN: No, Mr. Montgomery is with Mewbourne
5 Oil Company. And Mr. Ventura was testifying about his
6 recollection of efforts to -- or the production from the
7 Mewbourne well, and Matador was obviously a partner in the
8 Mewbourne well. But -- So there is an implication in his
9 testimony that perhaps the penalty provision had not been
10 complied with, and this is just to clarify that, in fact,
11 Mewbourne is in compliance on its allowable.

12 EXAMINER STOGNER: Mr. Carr, Mr. Kellahin, Mr.
13 Carroll, have you been provided a copy of this affidavit?

14 MR. ERNEST CARROLL: Yes, we have.

15 MR. KELLAHIN: Yes, we have.

16 EXAMINER STOGNER: Do you wish to add anything,
17 any of you?

18 MR. KELLAHIN: Matador supports the introduction
19 of the affidavit, Mr. Examiner.

20 MR. ERNEST CARROLL: So does Penwell, Mr.
21 Examiner.

22 MR. RAND CARROLL: Any objection?

23 MR. CARR: I have no objection to it.

24 EXAMINER STOGNER: This affidavit that has been
25 supplied by Mr. Horn will be admitted into evidence and put

1 into the record at this time.

2 Does anybody else have anything further in any of
3 these three cases?

4 MR. KELLAHIN: I'll submit to you a proposed
5 order, Mr. Examiner.

6 EXAMINER STOGNER: Okay. Have you provided the
7 other parties with a copy?

8 MR. KELLAHIN: Yes, sir.

9 EXAMINER STOGNER: All right. Mr. Carr, would
10 you like some time to provide a rough draft?

11 MR. CARR: No, sir, I would not.

12 EXAMINER STOGNER: Mr. Carroll or Mr. Horn?

13 MR. ERNEST CARROLL: No, sir.

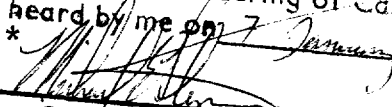
14 MR. HORN: No, sir.

15 EXAMINER STOGNER: Okay. Does anybody else have
16 anything further in this matter?

17 Then Cases 12,034, 12,051, and 12,105 will be
18 taken under advisement and a single order will be issued in
19 these matters.

20 And with that, then this hearing is adjourned
21 today. Thank you.

22 (Thereupon, these proceedings were concluded at
23 10:03 a.m.)

24 * * * I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case Nos. 12,034, 12,051, 12,105
heard by me on 7 January 1977
25  , Examiner
On 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 January 13th, 1999.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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

**IN THE MATTER OF APPLICATION OF
MATADOR PETROLEUM CORPORATION
FOR APPROVAL OF AN UNORTHODOX GAS
WELL LOCATION AND TO AMEND ORDER
NO. R-10872-b TO APPROVE A STANDARD
600.01-ACRE GAS SPACING AND PRORATION
UNIT, EDDY COUNTY, NEW MEXICO**

CASE NO. 12034

**IN THE MATTER OF APPLICATION OF
TEXACO EXPLORATION AND PRODUCTION INC.
FOR COMPULSORY POOLING, AN UNORTHODOX
GAS WELL LOCATION, AND NON-STANDARD
SPACING AND PRORATION UNIT, EDDY COUNTY,
NEW MEXICO**

CASE NO. 12051

AFFIDAVIT OF BRYAN MONTGOMERY

Bryan Montgomery, being first duly sworn upon his oath, deposes and states:

1. My name is Bryan Montgomery. I am a reservoir engineer and am employed by Mewbourne Oil Company in Tyler, Texas. I have personal knowledge of the facts stated in this Affidavit.

2. I have previously testified before the Oil Conservation Division and have been qualified as an expert witness in the field of reservoir engineering.

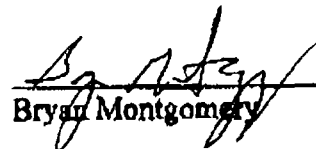
3. I have reviewed the transcript of the testimony of Jeff Ventura, from the December 3, 1998 hearing in this matter, and Mr. Ventura's belief that Mewbourne Oil Company did not engage in efforts to hold back production from the Catclaw Draw No. 1 Well in compliance with the penalty provisions contained in the Commission Order No. R-10872-B. (12/3/98 Transcript pp. 85-86).

4. Mr. Ventura is mistaken in his belief that Mewbourne Oil Company has not held back production from the Catclaw Draw No. 1 Well in compliance with the penalty provisions of the Commission Order. Mewbourne Oil Company has in fact held back production from the Catclaw Draw No. 1 Well in compliance with the 40% penalty allowable factor as contained in the Commission Order.

5. Attached to my Affidavit as Exhibit "A", and incorporated herein by reference, is a table that I prepared which shows the monthly allowable, cumulative allowable, monthly production, cumulative production, and the cumulative over/under production for the Catclaw Draw No. 1 Well for the months of June through November 1998. Based upon the June 1998 deliverability test, the Catclaw Draw No. 1 Well had a deliverability of 6640 Mscfpd. After applying the penalty allowable factor as provided the Commission's Order, through the end of November 1998, the Catclaw Draw No. 1 Well was in an underproduced state to the extent of 71,504 MMscf.

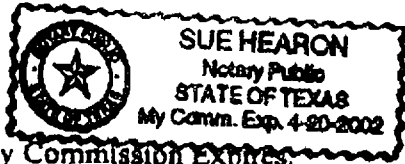
6. A new deliverability test was performed on the Catclaw Draw No. 1 Well in December 1998. This deliverability test yielded a deliverability of 3420 Mscfpd. Based upon the new deliverability test, Mewbourne is presently holding back production from the Catclaw Draw No. 1 Well in order to comply with the Commission's penalty allowable factor.

7. Mewbourne Oil Company has complied and will continue to comply with the allowable, including the penalty factor, with respect to the Catclaw Draw No. 1 Well.


Bryan Montgomery

STATE OF TEXAS)
(ss.
COUNTY OF SMITH)

The foregoing instrument was subscribed and sworn to before me by Bryan Montgomery on this 6th day of January, 1999.



My Commission Expires:

4-20-2002

Sue Hearn
Notary Public

Mewbourne Oil Company
 Catchlaw Draw #1
 Section 1 21 S - 25 W
 Eddy Co., New Mexico

Deliverability Test - June, 1998

Deliverability 6640 Mscfpd
 Penalty Allowable Factor 40%
 Penalty Allowable 2656 Mscfpd

Month	Allowable (MMscf)	Cumulative Allowable (MMscf)	Production (MMscf)	Cumulative Production (MMscf)	Cumulative Over/Under Production (MMscf)
June, 1998	79680	79680	92720	92720	13040
July	82336	162016	95971	188691	26675
August	82336	244352	54388	243079	-1273
September	79680	324032	68802	311881	-12151
October	82336	406368	55408	367289	-39079
November	79680	486048	47255	414544	-71504

Deliverability Test - December, 1998

Deliverability 3420 Mscfpd
 Penalty Allowable Factor 40%
 Penalty Allowable 1368 Mscfpd

EXHIBIT A