

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. 12,193
)
APPLICATION OF TEXAKOMA OIL & GAS)
CORPORATION FOR COMPULSORY POOLING)
AND AN UNORTHODOX GAS WELL LOCATION,)
SAN JUAN COUNTY, NEW MEXICO) ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 10th, 1999

Santa Fe, New Mexico

99 JUN 24 AM 7:06
OIL CONSERVATION DIV

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, June 10th, 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

June 10th, 1999
Examiner Hearing
CASE NO. 12,193

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>JOHN M. RICHARDSON</u> (Landman)	
Direct Examination by Mr. Bruce	5
Examination by Examiner Catanach	13
<u>A.R. KENDRICK</u> (Petroleum Consultant)	
Direct Examination by Mr. Bruce	17
Examination by Examiner Catanach	23
REPORTER'S CERTIFICATE	27

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	13
Exhibit 2	7	13
Exhibit 3	11	13
Exhibit 4	18	23
Exhibit 5	18	23
Exhibit 6	21	23
Exhibit 7	21	23
Exhibit 8	21	23

* * *

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:

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 9:08 a.m.:

3 EXAMINER CATANACH: Okay, and at this time we'll
4 call Case 12,193.

5 MR. CARROLL: Application of Texahoma Oil and Gas
6 Corporation for compulsory pooling and an unorthodox gas
7 well location, San Juan County, New Mexico.

8 EXAMINER CATANACH: Call for appearances in this
9 case.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
11 representing the Applicant. I have two witnesses to be
12 sworn.

13 EXAMINER CATANACH: Any additional appearances?
14 Will the witnesses please stand and be sworn in?
15 (Thereupon, the witnesses were sworn.)

16 MR. BRUCE: Mr. Examiner, before we begin,
17 yesterday or the day before I noticed that the
18 advertisement was incorrect by one letter. The name of the
19 company is Texakoma, with a "k" rather than an "h". I'm
20 surprised your spell-check didn't pick that up.

21 EXAMINER CATANACH: Is that a problem?

22 MR. CARROLL: Where does the "k" come from?

23 MR. BRUCE: Got me.

24 EXAMINER CATANACH: Is that a problem?

25 MR. CARROLL: No.

1 MR. BRUCE: Also, Mr. Examiner, this case is a
2 little unusual, just because the people we're seeking to
3 pool are all unlocatable interest owners in one particular
4 tract.

5 JOHN M. RICHARDSON,
6 the witness herein, after having been first duly sworn upon
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Would you please state your name and town of
11 residence for the Examiner?

12 A. John Michael Richardson, Stanley, New Mexico.

13 Q. What is your occupation?

14 A. I'm a certified landman.

15 Q. What's your relationship to Texakoma in this
16 case?

17 A. I'm a contract landman for Texakoma Oil and Gas
18 Corporation.

19 Q. Have you previously testified before the
20 Division?

21 A. Yes, sir, I have.

22 Q. And are you familiar with the land matters
23 involved in this case?

24 A. Yes, I am.

25 MR. BRUCE: Mr. Examiner, I tender Mr. Richardson

1 as an expert petroleum landman.

2 EXAMINER CATANACH: He is so qualified.

3 Q. (By Mr. Bruce) Briefly, Mr. Richardson, what
4 does Texakoma seek in this case?

5 A. Texakoma is seeking an order pooling the mineral
6 interest in the east half of Section 7 of Township 31
7 North, Range 13 West, San Juan County, New Mexico, as to
8 the Basin-Fruitland Coal Gas Pool.

9 Q. What is Exhibit 1?

10 A. Exhibit 1 is a land plat of the area. As you'll
11 notice, there's an unorthodox location of the well there,
12 790 feet from the south line and 650 feet from the east
13 line of Section 7, and it's my understanding that Texaco
14 [sic] has applied to the Division for administrative
15 approval of this location and has received that approval.

16 Q. What interests does Texakoma seek to pool?

17 A. The east half of Section 7, except for the
18 southeast quarter of the southeast quarter, is comprised of
19 a federal lease, NM-101991, and Texakoma Oil and Gas
20 Corporation owns that as to the 100-percent interest. We
21 do not seek to pool any of that interest in that 280 acres.
22 However, the southeast quarter of the southeast quarter is
23 a fee tract where there are a number of unlocatable
24 interests, and we do seek to pool those unlocatable
25 interests.

1 Q. Referring to Exhibit 2, does that exhibit
2 identify exactly who you seek to pool?

3 A. That is correct. This shows the list of
4 unlocatable owners and their fractional interest in the
5 southeast quarter of the southeast quarter of Section 7.

6 Q. Okay. And just for clarification, like for Mary
7 McGuinn Sharpsteen, she owns one-fourth, but there is also
8 evidence that she had children or grandchildren, and that's
9 why you listed those people you seek to pool also?

10 A. That is correct.

11 Q. She is most likely dead?

12 A. That is correct.

13 Q. Same thing for Margaret Mary Stewart: Her
14 children and grandchildren probably survived her, but we
15 don't have any information on them either?

16 A. That is correct.

17 Q. Okay. So you seek to pool the heirs or devisees
18 or all these people listed on Exhibit 2?

19 A. Yes, sir, we do.

20 Q. Okay. And they are all unleased mineral
21 interests?

22 A. Yes, sir, they are.

23 Q. Why are, or were, these people so difficult to
24 locate?

25 A. The southeast quarter of the southeast quarter of

1 Section 7 was patented to a Patrick McGuinn back in the
2 early 1900s. He died in 1919, and he was never married and
3 he did not have any surviving parents, brothers or sisters.
4 One of his brothers died unmarried without children, but
5 the other four siblings had a combined total of 22
6 children, or nieces or nephews in this case, and these
7 people inherited all of the southeast quarter of the
8 southeast quarter of Section 7.

9 Q. Did these nephews and nieces reside in San Juan
10 County?

11 A. No, sir, they resided primarily in Minnesota,
12 Michigan, New York and Illinois where the family originally
13 located.

14 Q. Are any of these nephews or nieces still alive?

15 A. It's my understanding that one of the nephews is
16 still alive, but that's tenuous. You get different
17 accounts from different family members.

18 Q. Okay. When these nephews and nieces died, did
19 they have New Mexico probates conducted on their estates?

20 A. No, sir, they didn't. In fact, they didn't even
21 have probates conducted in their home states.

22 Q. Were there many deeds affecting these interests
23 over the last 80 years?

24 A. There were a few, but just a handful, not many.

25 Q. So in short, you've had to reconstruct ownership

1 of this tract with virtually -- what? Very, very few
2 instruments recorded with the County Clerk over the last 80
3 years?

4 A. That is correct.

5 Q. What sources have you examined in order to
6 determine the ownership and addresses for the heirs and
7 devisees of the people listed on Exhibit 2?

8 A. Initially, we examined the records of the County
9 Clerk and the Clerk of the District Court of San Juan
10 County, New Mexico. From there, we did a search with the
11 Social Security Death Index and the Family History Center
12 at the Mormon Church, which also incorporated some of the
13 Cook County, Illinois, death records, where the family
14 originated from.

15 From there, we went to the Internet, and we
16 accessed several telephone directories on the Internet,
17 some of them being anywho.com, reversephonedirectory.com,
18 switchboard.com, infospace.com, whowhere.lycos.com,
19 people.yahoo.com.

20 And then we went on to search several of the
21 genealogical services that are also on the Internet. We
22 accessed rootweb.com, lineage.net, docuserve.com, kbyu.org,
23 which is the same service at the Brigham Young University,
24 as well as the Illinois State Archives with the Secretary
25 of State there in Illinois, as it applied to the Cook

1 County, Illinois, records. We also accessed a death index,
2 being independentcenter.com.

3 In addition to those, we contacted several of the
4 family members that were willing to discuss family history,
5 and we spent an extensive amount of time trying to develop
6 a family tree there.

7 Q. So you made some phone calls in addition to all
8 these Internet and other searches you made?

9 A. That is correct.

10 Q. And have you examined other states for probates
11 in various counties?

12 A. Yes, we have.

13 Q. Okay. The fact of the matter is, a number of
14 these people are either unlocatable, or nobody knows where
15 they died; is that correct?

16 A. That is correct.

17 Q. What about any other sources you checked?

18 A. San Juan Resources and Merrion Oil and Gas had
19 had title done to this land during the last five to ten
20 years, and they had neither purchased nor leased some of
21 the smaller interests, and Texakoma has acquired the
22 interest of San Juan Resources and Merrion Oil and Gas.

23 Mr. McHugh with San Juan Resources provided his
24 land records to us, however the information that he has in
25 his files are primarily a duplicate of what we found at the

1 county level and in our Internet search.

2 Q. The people that either he located or that you
3 located have been leased, or you are seeking to lease those
4 interests?

5 A. That is correct.

6 Q. Okay. What -- Getting to these locatable
7 interests, could you go off on that a little bit?

8 A. The people that have been located or tracked down
9 comprise about 50 percent of this 40-acre tract, and they
10 have either been -- their interest has been purchased
11 outright, it's either been leased, or we have sent them
12 lease offers. We don't have all of the interest under
13 lease at this point in time, but we are currently in
14 negotiations with them.

15 We don't want to pool any of those locatable
16 owners at this point in time, but we would like to pool the
17 ones that we know that we cannot locate.

18 Q. Have you mailed offers to anyone?

19 A. Yes, we have.

20 Q. And is that reflected on Exhibit 3?

21 A. Yes, sir, it is.

22 Q. Now, I just noticed one thing: The letter is
23 dated May 24, 1996. That should be 1999?

24 A. Yes, it should. We're not that forward. Thank
25 you.

1 Q. What about these people you sent offers to? I
2 mean, you had addresses, but how recent are they?

3 A. These addresses are either 1926- or 1950-vintage
4 addresses.

5 Q. Okay. So you mailed these -- You didn't expect
6 them to be received by these people, did you?

7 A. No, we did not, but we sent them out with a
8 delivery confirmation from the United States Postal
9 Service, and we did receive these back, and they were
10 marked "nondeliverable, addressee not known".

11 Q. Okay. So none of these reached the people they
12 were addressed to?

13 A. That is correct.

14 Q. It was kind of a last-ditch effort?

15 A. Correct.

16 Q. In your opinion, has Texakoma made a good-faith
17 effort to locate all of the interest owners in the
18 southeast quarter of the southeast quarter of Section 7?

19 A. Yes, sir, we have spent three to five weeks in
20 the county records, and we have spent an additional 30 to
21 40 hours searching the Internet to find these people, and
22 we have pretty much reached a dead end with the majority of
23 them.

24 Q. In your opinion, is the granting of this
25 Application in the interests of conservation and the

1 prevention of waste?

2 A. Yes, it is.

3 Q. And were Exhibits 1 through 3 prepared by you or
4 compiled from company business records?

5 A. Yes, sir, they were.

6 MR. BRUCE: Mr. Examiner, at this time I'd move
7 the admission of Texakoma's Exhibits 1 through 3.

8 EXAMINER CATANACH: Exhibits 1 through 3 will be
9 admitted as evidence.

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Richardson, with the exception of the
13 southeast southeast quarter of Section 7, Texakoma owns all
14 the remaining interest in that?

15 A. Yes, sir, 100 percent.

16 Q. Okay, and you mentioned -- On Exhibit Number 2
17 you show a bunch of interest owners who own interest in the
18 southeast southeast?

19 A. Yes, sir.

20 Q. And are these the list of interest owners that
21 are not locatable?

22 A. That is correct.

23 Q. Okay. Now, you mentioned some other interest
24 owners who own interest in that same quarter section?

25 A. Yes, sir, that is correct.

1 Q. And you're still negotiating with those parties?

2 A. They are either already under lease, or they are
3 waiting to get the leases back from them, they said they
4 have signed it and sent it to us, or we're still in
5 negotiations.

6 Some of these people are -- One of them is in
7 Italy, two of them are in Canada. They don't even know
8 that they own this property. So it's been an education
9 process as we've gone along.

10 Q. So you're confident that you've secured voluntary
11 agreement from all those parties?

12 A. The ones that are not on this list?

13 Q. Yes, sir.

14 A. Well, the ones that we have gotten verbal from or
15 a lease, yes, I am.

16 The ones we are currently in negotiations with, I
17 couldn't tell you one way or the other. But they do know
18 that there is a hearing that is to pool the unlocatable
19 interests, but those aren't the interests that we are
20 seeking to pool at this point in time.

21 Q. So even though you haven't reached agreement with
22 some of these interest owners, you're not seeking to pool
23 those interests?

24 A. That is correct.

25 MR. CARROLL: Were the notified of this hearing?

1 THE WITNESS: Yes, they were.

2 MR. CARROLL: Do we have proof of that
3 notification?

4 MR. BRUCE: I don't have it with me. But like I
5 said, the reason we're not seeking to do that at this time
6 is twofold. We think we'll be able to come to terms with
7 them.

8 One thing I should add to Mr. Richardson's deal
9 is that -- is it McHugh? Kindermack Partners --

10 THE WITNESS: Yes, sir.

11 MR. BRUCE: -- which is a Jerry McHugh Company,
12 has purchased some of these mineral interests outright.
13 And he will -- He has come to terms with Texakoma, as has
14 San Juan Resources, as has Merrion. And the interests that
15 are outstanding are all quite small, and if we can't come
16 to terms we may seek to pool them, or Texakoma may just
17 carry them. At this point they want to get the well
18 drilled, and the important thing is to secure the
19 unlocatable interests at this time.

20 MR. CARROLL: And what was the date of
21 notification to those interest owners? Was it also May
22 24th?

23 THE WITNESS: That was -- Mr. McHugh handled
24 that. It was prior to May 24th.

25 MR. CARROLL: How long prior to?

1 THE WITNESS: I would have to contact Mr. McHugh
2 and -- his office is in Denver -- and find out what the
3 dates of those leases were.

4 (Off the record)

5 EXAMINER CATANACH: You will provide those notice
6 receipts, Mr. Bruce?

7 MR. BRUCE: Yeah, we can provide those after the
8 hearing.

9 EXAMINER CATANACH: Okay.

10 Q. (By Examiner Catanach) Mr. Richardson, are you
11 just seeking to pool the interests in the Basin-Fruitland
12 Coal Pool, or in any other -- or from the surface to the
13 Basin-Fruitland Coal Pool?

14 A. As to the Basin-Fruitland Coal formation.

15 Q. That's all?

16 A. That's my understanding, yes, sir.

17 Q. Do you by any chance -- You testified that the
18 unorthodox location has been approved.

19 A. I have not seen evidence of that, but it's my
20 understanding from the conversation with Texakoma that they
21 received approval on the 1st.

22 Q. So that portion of the case we can just dismiss?
23 Is that...

24 A. You would have to ask --

25 MR. BRUCE: Yes, we can, Mr. Examiner.

1 EXAMINER CATANACH: And do you know, Mr. Bruce,
2 if that's been approved?

3 MR. BRUCE: Our next witness can tell you.

4 EXAMINER CATANACH: Okay.

5 Q. (By Examiner Catanach) The total interest of
6 these parties that you can't locate, they own did you say
7 approximately 50 percent of that 40-acre tract?

8 A. Yes, sir. 11/24 is a little less than 50
9 percent.

10 Q. Okay. And the remaining interest owners that
11 you're negotiating with own the remainder of that?

12 A. Yes, sir, as far as we can determine.

13 EXAMINER CATANACH: Okay. All right, I have
14 nothing further of this witness.

15 MR. BRUCE: Call Mr. Kendrick to the stand.

16 A.R. KENDRICK,

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

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Will you please state your name and city of
22 residence for the record?

23 A. A.R. Kendrick, Aztec, New Mexico.

24 Q. What is your occupation?

25 A. I'm a petroleum consultant.

1 Q. Have you previously testified before the
2 Division?

3 A. Yes, sir.

4 Q. And were your credentials as a consultant
5 accepted as a matter of record?

6 A. Yes, sir.

7 Q. And are you familiar with the matters involved in
8 the drilling of this well?

9 A. Yes, sir.

10 MR. BRUCE: Mr. Examiner, I tender Mr. Kendrick
11 as an expert witness.

12 EXAMINER CATANACH: He is so qualified.

13 Q. (By Mr. Bruce) Mr. Kendrick, first off, when was
14 approval for the unorthodox location granted?

15 A. The nonstandard location order was signed on June
16 the 1st.

17 Q. Okay. And that was granted administratively?

18 A. Yes, it was granted administratively.

19 EXAMINER CATANACH: I'm sorry, did you say the
20 order number of that?

21 THE WITNESS: I do not recall the order number.
22 It was approved on June 1st.

23 Q. (By Mr. Bruce) Mr. Kendrick, what is Exhibit 4?

24 A. Exhibit 4 and Exhibit 5 are companion exhibits.
25 Exhibit 5 explains what Exhibit 4 really is. It's a USGS

1 Quadrangle for the La Plata, New Mexico and Colorado area.
2 It shows Townships 31 and 32 North, Ranges 12, 13 and a
3 thin sliver of 14 west. The sections are about two inches
4 square, and they're shown in red on this original document.

5 I platted all the Fruitland Coal wells that have
6 been drilled on this document, based on Commission records
7 in the District Office. And in that regard, you will note
8 that there are no wells in the south four tiers of sections
9 of Township 31 North, Range 13 West.

10 The well in question today is shown by the black
11 dot to the left side of the map.

12 Highlighted in pink on the original and a
13 different shade of gray on the copies are some trend lines
14 of ridges that are the result of the drainage pattern
15 created by the uplift of the formations to the west or the
16 subsidence of the San Juan Basin. The drainage occurred
17 along the fracture lines of the bending, leaving these
18 ridges all in a northeast-southwesterly direction.

19 In the center on the left side of the map,
20 there's a canyon called Coalbank Canyon, and I've
21 identified a place there where the Fruitland Coal outcrops
22 near the center of Section 5, which is about a mile and a
23 half north and a half mile east of this subject location.

24 Also in Section 5, in the southwest quarter, the
25 Standard Oil Company of Texas drilled the Federal 12-5 Well

1 Number 1 at a surface location of 566 feet from the south
2 line and 1604 feet from the west line. The total depth of
3 the hole was about 6200 feet. The bottom of the hole was
4 determined to be at 828 feet from the west line -- excuse
5 me -- yes, and 874 feet from the south line.

6 The surface location was a standard oil well
7 location in Unit Letter M. The bottomhole wound up being a
8 standard oil well location in Unit -- Excuse me, the
9 surface is in Unit N, the bottomhole is in Unit Letter M.
10 Both locations would have been standard locations for an
11 oil well.

12 Q. And that was caused by the subsurface geology,
13 the substantial drift of that well?

14 A. Well, it's probably the result from the steep-
15 dipping formations that caused the well to drift to the
16 west in that direction.

17 Q. Okay.

18 A. The La Plata Mine is a strip-mine operation for
19 mining coal to supply the power plants at Kirtland, New
20 Mexico. La Plata operates in Township 32 North, Range 13
21 West, which would be in the northern portion of this map.
22 And the actual mining is probably taking place in Sections
23 23 and 24 at this time.

24 They haul the coal from that mine along a private
25 road from there, southwesterly to the power plant at north

1 of Kirtland.

2 Q. What are Exhibits 6 and 7, Mr. Kendrick?

3 A. Six and seven are companion exhibits. They're
4 copies of the U.S. Geological Survey Professional Paper
5 676.

6 Page 1 of Exhibit 6 is just a cover page to show
7 the source of information.

8 Page 5, which is the second page of Exhibit 6,
9 shows the author's interpretation from electric log,
10 showing the coal formations to be only in the Fruitland
11 formation, as far as this log is concerned.

12 And page 3 of Exhibit 6 is page 43 of that
13 document, showing the coal -- the Fruitland outcrop in the
14 San Juan Basin. I've highlighted in yellow on these
15 exhibits Township 31 North, Range 13 West, where the
16 location of the subject well is, showing that our subject
17 well is at or near the Fruitland outcrop in the northwest
18 corner of Section -- of Township 31 North, Range 13 West.

19 Q. Finally, Mr. Kendrick, let's move on to Exhibit
20 8, and could you discuss a little more about the risk
21 involved in drilling this well. What is Exhibit 8?

22 A. Exhibit 8 is a production map of Fruitland Coal
23 wells in the proximity of this area, the subject well being
24 along the left margin and to the south.

25 Underneath the well symbols there's a horizontal

1 line and a vertical divider, showing the current gas
2 production rate in MCF per day in the upper left quadrant.
3 The upper right quadrant shows the current water production
4 in barrels of water per day. The lower left quadrant would
5 be the cumulative gas in millions of cubic feet per day,
6 and the lower right quadrant would show the month of first
7 production.

8 And along the west boundary, or the wells
9 identified on the west side, you'll find that the daily
10 production and the cumulative production rates are very low
11 as you approach the outcrop. This would be expected
12 because the gas in the coal would have had a chance to
13 escape through the outcrops.

14 Q. Now, looking at the immediately offsetting well,
15 there's several decent wells, but the immediate offsetting
16 wells at this point are low producers, are they not?

17 A. Yes, they are, and some of them have only
18 produced two years or three years, and the other wells may
19 be a little older, but the daily rate on these is very
20 small, even though they're new wells.

21 Q. And as you mentioned previously, to the south for
22 three or four miles there are no Fruitland Coal wells
23 offsetting the proposed well, are there?

24 A. That's correct. There are no wells south of the
25 proposed wells in this township.

1 Q. Based on this production data and the other
2 things you've discussed, do you recommend the maximum
3 penalty allowed by the Division for Fruitland Coal Gas
4 wells?

5 A. Yes, sir.

6 Q. Mr. Kendrick, in your opinion is the granting of
7 Texakoma's Application in the interests of conservation and
8 the prevention of waste?

9 A. Yes, sir.

10 Q. And were Exhibits 4 through 8 prepared by you,
11 under your direction, or compiled from company records?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I move the admission of
14 Texakoma Exhibits 4 through 8.

15 EXAMINER CATANACH: Exhibits 4 through 8 will be
16 admitted as evidence.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Kendrick, I know you didn't testify as to
20 Exhibit 3, but there's an AFE attached to that. Do you
21 know if that's the one that's going to be utilized for this
22 well?

23 A. I have not seen it. I don't know.

24 MR. BRUCE: I forgot all about that, Mr.
25 Examiner.

1 Mr. Kendrick, based on your knowledge of the area
2 out there, is that AFE fair and reasonable for Fruitland
3 wells drilled in this area?

4 THE WITNESS: Yes, sir, I think it is.

5 EXAMINER CATANACH: Mr. Bruce, have you given any
6 consideration to overhead charges in this case?

7 MR. BRUCE: Mr. Examiner, I spoke with the
8 engineer at Texakoma yesterday, and he was supposed to give
9 those to me. If I could submit those by affidavit, I'd
10 appreciate that.

11 Q. (By Examiner Catanach) Mr. Kendrick, this well
12 is in the wrong quarter section. Is it your understanding
13 that that has been approved?

14 A. Yes, sir, that has been approved, and I have
15 forwarded a copy of the administrative approval to the
16 Texakoma office. I do not have a copy in my possession,
17 but the date of approval was June 1st.

18 Q. Okay, I can look it up.

19 This will be the first well in that section, to
20 your knowledge, first --

21 A. Yes, sir.

22 Q. -- Basin-Fruitland Coal?

23 A. And based on my professional opinion, it will be
24 the only well in that section.

25 Q. The offset wells to the east there don't appear

1 to be very good wells. Do you know if this is in an area
2 of the Fruitland Coal where dewatering has to take place?

3 A. There's a pumping unit on each of the wells, yes.

4 Q. So they are still dewatering the reservoir?

5 A. Yes. In fact, I talked to the surface rancher
6 who ranches up in Section 5, and they used the Fruitland
7 Coal as a source for water for their cattle.

8 Q. Do you think that has anything to do with the low
9 producing rates? Do you anticipate those rates will go up
10 in those wells?

11 A. I don't think that the rates of those wells will
12 come up appreciably because they're so close to the outcrop
13 that there's not much hydrostatic head to keep the water
14 intact, to keep the coal from -- keep the gas from breaking
15 loose.

16 And I have some samples of the Fruitland Coal in
17 a box at the back of the room here that -- from the outcrop
18 there in Section 5. It's not what I would consider a sub-
19 bituminous coal; it's even a poorer grade than that. And
20 if anyone would like samples of those rocks, they're
21 welcome to them.

22 Q. Would you anticipate that the well that's going
23 to be drilled to have the same kind of producing rates as
24 those offset wells?

25 A. In my estimation, it's going to be worse than

1 anything shown on the plat.

2 Q. Is that economic?

3 A. That's not my problem.

4 (Laughter)

5 EXAMINER CATANACH: Okay, I have nothing further
6 of this witness.

7 MR. BRUCE: I have nothing further, Mr. Examiner.

8 EXAMINER CATANACH: Okay, there being nothing
9 further in this case, Case 12,193 will be taken under
10 advisement.

11 (Thereupon, these proceedings were concluded at
12 9:40 a.m.)

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 No. 12,193
heard by me on June 10 1989.
19 David R. Catnach Examiner
20 Oil Conservation Division
21
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 June 11th, 1999.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002