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 RAPTOR RESOURCES, INC., FOR TWO UNORTHODOX INFILL GAS WELL LOCATIONS AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO	)	CASE NOS. 12,623
APPLICATION OF RAPTOR RESOURCES, INC., FOR AN UNORTHODOX INFILL GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO	)	12,624
APPLICATION OF RAPTOR RESOURCES, INC., FOR AN UNORTHODOX INFILL GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO	)	and 12,625 (Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 19th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 19th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

April 19th, 2001
Examiner Hearing
CASE NOS. 12,623, 12,624 and 12,625 (Consolidated)

* * *

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
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Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

WHEREUPON, the following proceedings were had at 11:00 a.m.:

EXAMINER STOGNER: This hearing will come to order. At this time I'll call Case Number 12,623, which is the Application of Raptor Resources, Inc., for two unorthodox infill gas well locations and simultaneous dedication, Lea County, New Mexico.

At this time I'll call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe office of the law firm Holland and Hart, L.L.P. We represent Raptor Resources in this matter, and I have three witnesses.

EXAMINER STOGNER: Any other appearances?

Will the witnesses please stand to be sworn?

(Thereupon, the witnesses were sworn.)

MR. CARR: Mr. Stogner, at this time I would request that this case be consolidated with the next two cases. The following two cases are Applications of Raptor Resources. Again, they involve additional development of the Jalmat Gas Pool. The same issues are involved in each of the cases and the general reasons supporting the Applications are the same. I would request that they be consolidated for the purpose of testimony.

EXAMINER STOGNER: At this time I'm going to call Case Number 12,624, which is also the Application of Raptor

Resources, Inc., for an unorthodox infill gas well location with simultaneous dedication, Lea County, New Mexico; and Case 12,625, which is the Application of Raptor Resources, Inc., for an unorthodox infill gas well location and simultaneous dedication, Lea County, New Mexico.

Other than the Applicant, are there any other appearances in any of these matters? Then Cases 12,625, 12,624 and 12,623 will be consolidated for purposes of testimony today, and if applicable a single order can be issued.

MR. CARR: Mr. Examiner, I also have a brief opening statement.

EXAMINER STOGNER: Okay, Mr. Carr?

MR. CARR: May it please the Examiner, with these Applications Raptor Resources, Inc., seeks authorization to drill five additional wells in the Jalmat Gas Pool. The wells are proposed on three spacing units, and they will be on a density of less than one well per 160 acres. All are infill wells. Four are at unorthodox well locations.

And we also are seeking authorization to simultaneously dedicate all wells on the three spacing or proration units which are the subject of these consolidated hearings.

As the Examiner is aware, for the past approximately year and a half there have been a number of

issues concerning the proper development of the Jalmat and the Eumont gas pool. There's been litigation, there have been industry meetings, and it is our understanding that the basic rules that govern the pool are still under review by the agency.

In this case, Raptor Resources will present testimony which we believe meets the standard set by the rules which govern the development of the Jalmat Gas Pool.

We also believe our presentation will meet the standards announced by the District Court of Santa Fe County in the Stipulated Declaratory Judgment which was entered on December 15th in the year 2000, which in fact imposed some additional requirements on operators if they decided to develop this pool on a density of wells greater than one well per 160-acre spacing unit.

The evidence we're going to present today is going to be organized in this fashion. First, we're going to call John Lawrence. Mr. Lawrence is a petroleum engineer. He is the person at Raptor who is responsible for their redevelopment program of the Jalmat Gas Pool.

We're going to call Mr. Lawrence twice, with your permission, first to provide a general background. What he's going to do is review for you why Raptor became interested in redeveloping certain spacing units in the Jalmat Gas Pool. They have drilled 15 wells as part of

this program to date. The density is greater than one well per 160 acres. And he is going to review with you the success they have achieved with this program. We're here today seeking authority to continue this effort.

I think it's important to note that as we have gone forward with this effort we have attempted to comply with the rules as we understand the rules to be. It's been sometimes, Mr. Stogner, a sort of a continuously moving target. But when we have been in doubt as to what was required of the rules, we have erred on the side, we think, of doing too much. And we will show you exactly what we have done, not only to comply with Jalmat rules but to meet the standards announced by the District Court.

Mr. Lawrence is responsible for this program, he's going to review the history of it, he's going to tell you how new locations are selected. He's going to tell you why it is we believe there are bypassed reserves that are available to now be produced, produced not as a rate acceleration but, in fact, as incremental production.

And because the Court in its order said that we would show you that we could economically and efficiently produce the reserves, we're also going to show you what our economic criteria are for this redevelopment program.

We're then going to call Mr. Keathly. Bill Keathly is providing our land testimony. He was asked to

identify the offset owners to each of the subject spacing units and to assure that notice has been provided of this consolidated hearing as required by the rules of the Oil Conservation Division and the Order of the District Court. He will explain how we approached this task and to whom notice has been provided.

We're then going to move to the portion of the court order that says we must justify these wells to you. We're going to call Dave Pearcy, a geologist who's going to review the geology on each of the five locations that we're talking about. He's going to show you that the geological characteristics of the reservoir in these particular areas justify an additional well, and he's going to identify for you intervals which have not been perforated or produced in offsetting properties.

Once we've done that, we're going to recall Mr. Lawrence. He's going to show why we believe a well at each of these locations is needed to efficiently and economically develop the reserves. He's going to show you that these are additional reserves, not rate acceleration. And at the end, we submit, we will have complied with the rules of the Division and the Order of the District Court, and we'll ask you to enter orders approving five additional orders in the Jalmat Gas Pool.

At this time, with your permission, we would call

John Lawrence.

EXAMINER STOGNER: Thank you, Mr. Carr.

MR. CARR: And Mr. Stogner, there's a set of exhibits in front of you clipped in a number of small packets, but I think the set before you is complete.

JOHN J. LAWRENCE,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. John J. Lawrence.

Q. Mr. Lawrence, where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. Raptor Resources.

Q. What is your position with Raptor Resources?

A. Vice president of engineering.

Q. You are the engineer with Raptor who is responsible for the redevelopment program of the Jalmat gas reserves; is that correct?

A. That is correct.

Q. Have you previously testified before the New Mexico Oil Conservation Division?

A. No, I have not.

Q. Would you summarize your educational background for Mr. Stogner?

A. I graduated with a bachelor of science degree in chemical engineering from Texas A&M University in December of 1980.

Q. And since graduation, for whom have you worked?

A. I worked for 13 years as a petroleum engineer for Cities Service Oil and Gas. Eventually it became OXY USA, Inc.

Q. And when did you start working for Raptor?

A. After I left OXY I initiated my own consulting company, which eventually has evolved into Raptor Resources over the last six years.

Q. And since graduation have you at all times worked as a petroleum engineer?

A. Yes, I have.

Q. Are you familiar with the Application filed by Raptor Resources in each of these consolidated cases?

A. Yes.

Q. And have you made an engineering study of the particular spacing units which are involved with these Applications?

A. Yes, I have.

Q. And are you prepared to share the results of your work with Mr. Stogner?

A. Yes, sir.

MR. CARR: At this time we would tender Mr. Lawrence as an expert witness in petroleum engineering.

EXAMINER STOGNER: Mr. Lawrence is so qualified.

Q. (By Mr. Carr) Mr. Lawrence, would you briefly describe in a general way what it is Raptor Resources seeks with these Applications?

A. We seek exceptions to the well-location requirements provided by the special pool rules and regulations for the Jalmat Gas Pool, further, pursuant to the rules governing the Jalmat Gas Pool in the stipulated declaratory judgment issued by the District Court that we will individually review each Application.

Q. Are you also seeking authorization to simultaneously dedicate new wells and the existing wells on each of the subject spacing units?

A. Yes.

Q. You are proposing to go to a well density that is more than one well per 160 acres; is that correct?

A. That is correct.

Q. Could you generally review the purpose of your initial testimony here today?

A. Basically what I plan on doing today is giving a historical overview of the acreage that Raptor possesses in the Jalmat Pool, reviewing the work of two previous

operators and also reviewing the work that we have conducted in the field.

Q. Are we also then going to review the economic criteria that's employed as you go forward with this program?

A. Yes, I will.

Q. When did Raptor acquire its interests in this area?

A. We purchased the acreage from Clayton Williams Corporation in April of 1999.

Q. And what had caused Raptor to become interested in redeveloping Jalmat Gas Reserves?

A. I had done some previous engineering work in this particular area and believed that the property and acreage had remaining potential in both the Yates and the Seven Rivers gas formation.

Q. Let's go to what has been marked for identification as Raptor Exhibit Number 1. I would ask you to identify this exhibit and explain what it shows.

A. This particular plat shows the outlines of the Jalmat Gas Pool. The acreage highlighted in yellow is the acreage that is currently operated by Raptor Resources, Inc. The northern acreage we will refer to will be the State "A" Account 2 leases. The larger plot to the south is primarily the State "A" Account 1 lease.

Q. And in each of these -- in the Account 1 and in the Account 2, throughout those areas, you have common working interest ownership, do you not?

A. That is correct, we have common working interest ownership that have approved AFEs for the proposed work.

Q. And then as we go into this presentation we will show at a later time smaller maps that show each of the subject spacing units which are involved in the individual cases; is that correct?

A. That is correct.

Q. All right, let's go to what has been marked Raptor Exhibit Number 2. Could you identify this and review it for Mr. Stogner?

A. Mr. Stogner, this is a historical production curve of the acreage that Raptor operates. And a couple things that I would like to point out on this particular production curve.

From the period of the early 1970s through the late 1980s there was very little, if any, activity on the said acreage. In the late 1980s there was an operating entity out of Midland, Texas, Hal Rasmussen, as well as Clayton Williams, that took over the properties, initiated redeveloping gas wells in the Jalmat Gas Pool on density of less than 160-acre spacing, had significant success. As you can see, they actually took the property up to a peak

production in excess of 12 million cubic feet of gas a day.

If you look on the established historical production decline, the work that was done by Rasmussen and Williams was actual incremental reserves that were produced. As you can see with the work that was done in the late 1980s and early 1990s, the decline curve from that work mirrors exactly the historical decline from the 1970s, which to me is a very, very strong indication that these are indeed incremental gas reserves that are being produced by taking wells down on tighter density.

In conjunction with that you can see that in late 1999 and 2000, when Raptor became the operator and we initiated kind of a continuation of the development that Rasmussen and Williams had done previous, we have noticed and had a significant increase in gas production from our efforts, and again feel that those reserves are incremental reserves that are being produced from the properties.

Q. To date, how many wells have you actually drilled or recompleted?

A. We have actually recompleted, plugged back or drilled approximately 30 wells in the Jalmat Gas Pool in the little over two years that we've owned the property.

Q. And how many wells were involved in the Rasmussen-Williams effort?

A. There were 56 wells that have been recompleted in

their efforts over a two-year time span. Basically, when Clayton Williams took over operations of the property in 1991, he discontinued any additional development at that time, and there was no work done on the acreage for approximately ten years until we took over operations.

Q. Let's go to what has been marked Raptor Exhibit Number 3, the bar graph. Would you explain what this shows?

A. This is a historical summary of the work that had been done by both Rasmussen and Clayton Williams.

The bottom line on the bar graph is the estimated ultimate recovery of the particular wells in million cubic feet of gas.

On the left-hand column, it's the number of wells that actually will fall in that particular category.

For example, when you look on the bottom side of the graph under the number "3", that means that there are 12 wells that will produce approximately 300 million cubic feet of gas ultimately from the work that was done back in the late 1980s or early 1990s.

And as you can see, there's distribution ranging from on the low side of 100 million cubic feet to four wells that actually will produce in excess of a BCF of gas.

Q. And this bar graph represents all of the 50-plus wells involved in the Rasmussen-Williams redevelopment

program?

A. That is correct.

Q. What success rate did they achieve with these wells?

A. Based on our economic criteria, they had a greater than 90-percent success rate from their work. And I think when you look at this and then you look at the incremental wedge of production from the previous exhibit, you can see that that is, in fact, incremental production recovered from their efforts.

Q. Let's go to what's been marked for identification as our Exhibit Number 4. Would you identify this and explain it?

A. This particular exhibit contains the 15 most recent recompletions that Raptor Resources has done on the acreage. The 15 wells that we have reworked have had an average initial potential of 377 MCF of gas per day. And it's just kind of a historical -- it shows what zones and intervals and the location of the particular wells and the initial potentials from those particular wells.

Q. All right. I'd like you to take out Exhibits 5 and 6. And using these exhibits and the information on Exhibit 5 for the State "A" A/C 1 Number 127 well, using this material, I would like you to explain to the Examiner how you go about -- what criteria Raptor uses in selecting

new locations in the Jalmat Gas Pool?

A. Mr. Stogner, what we typically do on each one of these particular locations is that we will go and look at the eight offset wells to the particular location in question. We'll go back in and research when the well was drilled and completed, what intervals the particular well was completed in, what size of stimulation was actually done on that particular well, and then also we have in the table a cumulative gas production from the offset wells to that particular location.

We use this in conjunction with a geological interpretation in trying to determine net feet of pay for a particular location as our criteria for additional development.

Q. What does Exhibit Number 5 show us?

A. Exhibit Number 5 are the particular wells that offset well location Number 127. 127 -- and this is in the State "A" Account 1 lease, which was a good well, not one of our best wells, that was originally completed with an IP of 527 MCF of gas per day.

What we did when we were evaluating this location was again go to the offsets -- north, south, east, west and the diagonal offsets -- and look at the prior histories of those wells, and then we would look at cross-sections that were created to evaluate the net feet of pay thickness in

there and determined if it was a viable candidate to come back in and either redrill or potentially plug back in the given location.

Q. And the treatment employed at the time the well was initially drilled and completed was a factor as well, was it not?

A. That is correct. That is correct, yes. When you look on this table, there are a number of wells that were completed back in the early 1950s that either had utilized natural-type completions or very small fracs, and they did not open up all the potential pay intervals that we have identified through our efforts out there.

As you can see, a number of the wells in this particular table were just completed in the Yates, and very few of them had actually any completions in the Seven Rivers formation.

Q. We're talking about three spacing units, one 480 acres in size, one 520 and one standard 640-acre unit. With these units under the pool rules, the wells should be back 990 feet from the outer boundary.

Is the information that you've shown us on the 127 the kind of analysis that you made that has resulted in four of these five wells being closer than 990 feet to the outer boundary of the spacing unit?

A. Yes, it is. And the basis for that, a number of

these wells -- in fact, almost all of them, were originally drilled to the base of the Queen formation and were originally classified as oil wells, which the setbacks were 660 feet off the lease lines.

And so in order to maintain 1320-feet well spacing we have indicated that we'd like to have the location 660 feet off the corresponding lease lines.

EXAMINER STOGNER: Now I'm going to stop you right there, Mr. Carr.

MR. CARR: Yes, sir.

EXAMINER STOGNER: Go back and ask that question again, because I want to make sure, I don't want anybody to mislead --

MR. CARR: Uh-huh.

EXAMINER STOGNER: -- be misled in any way about what the current rules and regulations say. And I heard something there that was not quite true --

MR. CARR: All right --

EXAMINER STOGNER: -- and I'll give you a chance to --

MR. CARR: -- my understanding of the rules is that the larger the spacing unit, the greater the setback, that all of these fall within a category where a well should be 990 from the outer boundary, because the smallest one is 480 acres. If that's wrong, that's my

misunderstanding.

EXAMINER STOGNER: Okay, let's go back and make sure. Who is your expert on the rules?

MR. CARR: I'm the expert, unfortunately, on the rules. I looked at the rules --

EXAMINER STOGNER: You mean Raptor doesn't have anybody here that is?

MR. CARR: Well, Raptor has relied on me to interpret the rules for them. That's what I was hired to do.

EXAMINER STOGNER: But Raptor's made a bunch of Applications over the years.

MR. CARR: Correct.

EXAMINER STOGNER: You're telling me that you were the only one in those, that --

MR. CARR: No --

EXAMINER STOGNER: -- you were not involved in --

MR. CARR: No.

EXAMINER STOGNER: -- they went along without having an expert that knows what the rules --

MR. CARR: No, they have used -- Internally, they have interpreted the rules. But as to this case, Mr. Stogner -- because we have had trouble, you know that --

EXAMINER STOGNER: And that's why I want to make sure --

MR. CARR: -- and I have stepped in, and yesterday I checked the rules, and the table that I saw in R-8170 told me that we needed to be back 990 from the outer boundary.

EXAMINER STOGNER: Okay, well, let's make sure.

MR. CARR: Okay.

EXAMINER STOGNER: Up to 600 acres, 990-990. But how about a standard 640? What's the setback? "A gas well in the Jalmat Gas Pool to which 640 acres is dedicated shall be located no closer than 1650 feet to the outer boundary of the section."

MR. CARR: All right, then I'm in error on that, and that is my error.

Nonetheless, each of these, Mr. Stogner, is unorthodox toward the outer boundary.

EXAMINER STOGNER: Okay. I wanted to make sure that --

MR. CARR: Correct.

EXAMINER STOGNER: -- we're clear --

MR. CARR: Right.

EXAMINER STOGNER: -- not only for me and you at this time --

MR. CARR: No.

EXAMINER STOGNER: -- and the people here at the hearing but anybody else that reads the transcript --

MR. CARR: Correct.

EXAMINER STOGNER: -- or anybody that --

MR. CARR: Well --

EXAMINER STOGNER: -- I make the recommendation to, we want to make sure that --

MR. CARR: No, you're right, and I grabbed the Byram book and looked at that table, and I knew we were over what was shown in the table, and it said 990-990, and that's what I worked with, but --

EXAMINER STOGNER: I'm real surprised one of your witnesses didn't jump up and correct me today. So we'll just keep that under --

MR. CARR: All right.

EXAMINER STOGNER: -- under consideration.

MR. CARR: All right. Are you ready for us to proceed, sir?

EXAMINER STOGNER: Yes.

Q. (By Mr. Carr) Mr. Lawrence, the District Court in its Stipulated Declaratory Judgment directed operators to show that proposed wells are necessary to efficiently and economically drain proration units.

Could you refer to Raptor Exhibit Number 7 and give an overview of the economic considerations involved in your determinations to drill one of these wells?

A. Exhibit Number 7 is a table that basically

identifies the cost for Raptor to drill a new well in the Jalmat Gas Pool. That capital expenditure is approximately $315,000. Based on the previous exhibit that showed an average initial potential of 377 MCF per day, that would give us an estimated ultimate recovery of approximately 590 million cubic feet from that particular well location.

Utilizing a $5 MCF gas price, which is right now a little below actual market conditions, it takes approximately 73 million feet of gas to be produced from that particular well to pay out the capital expenditure.

Running a sensitivity case, utilizing a $2.50-per-MCF price, it takes approximately 155 million cubic feet of gas to be able to pay out your capital expenditure for the particular well in question.

Q. In your opinion, can the wells that you're proposing be economically drilled?

A. Yes, they can.

Q. Could you explain to us -- To what do you attribute your ability to access and produce additional reserves under these tracts in the Jalmat Gas Pool?

A. Based on our evaluation, we feel that some of the older wells were inadequately treated, some used natural completions, some used small frac jobs, not all the zones were opened up to be able to effectively develop the entire reservoir. Some of the wells actually were completed open

hole in the procedure they used at that point in time to be able to shoot nitro and open up the reservoir. I don't think it was effective in opening up the entire pay interval.

Previous operators in this field, when they were plugging back from the Queen formation to go into the Yates Pool, typically a lot or a majority of the Seven Rivers gas sands that are in existence in here.

And based on those reasons, that's why we feel there's additional reserves to recover, plus we have found that there a number of sand members that are lenticular in nature, and so they are not continuous from well to well, even on tighter density.

Q. What conclusions generally has Raptor reached from its study of the Jalmat Gas Pool?

A. We feel there are substantial reserves to be recovered from these particular efforts, based on the work that Rasmussen-Williams has done, the work that we have done, and a look at the historical production curves off the property, that these are indeed incremental reserves recovered from our efforts.

Q. What would have been the daily production rate from the acreage that you redeveloped in your 2000 redevelopment program?

A. Had we not done anything on the property after

purchasing from Clayton Williams, the property would be producing approximately 3 to 3.1 million cubic feet of gas a day. Current daily production is in excess of 7 million cubic feet a day from our work efforts.

Q. Will Raptor now call witnesses that will address each of the three spacing units which are the subjects of these Applications and demonstrate that the proposed additional wells are necessary to produce recoverable reserves under these spacing and proration units?

A. Yes, we will.

Q. Were Exhibits 1 through 7 prepared by you or compiled under your direction?

A. Yes, sir.

MR. CARR: At this time we'd move the admission into evidence, Mr. Stogner, of Raptor Exhibits 1 through 7.

EXAMINER STOGNER: Exhibits 1 through 7 will be admitted into evidence at this time.

MR. CARR: And I pass the witness for cross-examination.

EXAMINATION

BY EXAMINER STOGNER:

Q. On your Exhibit Number 4, now, this shows -- These are all new completions or -- okay, new drills or new recompletions.

A. Yes, sir.

Q. How many are actual new drills?

A. One, two, three, four of the locations are new drills.

Q. Okay, which ones are those?

A. That would be the Numbers 127, 128 and 129 in Account 1, and then the State A/C 2 Well Number 75.

Q. 127, 128, 129, Number 75, and what was the other one?

A. That was it, the State A/C --

Q. Just those four?

A. Yes, sir.

Q. And the other recompletions were what kind of wells?

A. Typically they were wells that either had been temporarily abandoned or were uneconomical, very marginal, Langlie-Mattix Queen wells that we would plug back and set a retrievable bridge plug and come back up the hole and complete in the gas interval.

Q. Did these wells typically -- the production dropoff or the production rates, did you see a typical dropoff that kind of mirrors what you tried to show in Exhibit Number 2, or did they have virgin characteristics out there?

A. We've seen a tremendous variation with how they responded in the variation in pressures.

Q. How about some of the higher producers, in particular the Number 25 and Number 34, which -- Those would be classified as nonmarginal, would they not?

A. That's correct.

Q. Okay, what did those show?

A. Basically we had what we felt were almost virgin-type pressures that we were recovering the gas from. I think another indication of the success we've had in here is that the IPs that we have had on our wells have been equal to or better than the results from previous efforts.

Q. Okay, when I look at Exhibit Number 5, you show this for the Number 127, which also appears in Exhibit Number 4.

A. That's correct.

Q. Okay. Now, 127 initially came on in October of 2000; is that correct?

A. That's correct.

Q. And when you say "current rate", this is current rate as of -- ?

A. As of in the last 30 days.

Q. Thirty days, okay.

When one reviews Exhibit Number 5, one thing that seems to pop out the most is the pay interval. Now, does that also reflect the perforations?

A. That is correct. That is the actual interval

that has been perforated. It's not a top-to-bottom pay thickness, that's the actual productive interval in that particular well.

Q. What's the typical -- Well, for this Well Number 127, how many perforations per foot, or do you go in there and actually get kind of scientific and -- 10 feet here, 30 feet here? Because you've got a -- I don't know, what? A 550-foot interval?

A. Right. Typically we have no more than 20 to 25 perforations on a given wellbore.

Q. So you're very particular?

A. Very selective.

Q. Okay, selective first. When I look at your 1952 and 1953 completion dates, can one typically look at those and say that was an open-hole completion, or did those have perfs also?

A. It can be a combination of -- Sometimes they were open-hole completed, sometimes there were perforated intervals, and we have a combination now.

Q. Okay. What are some of your older wells? Do they go back to the 1940s?

A. Yes, sure do.

Q. Any back to the 1930s?

A. Not that I'm familiar with. I know we have a number that are back to the 1940s but I'm not familiar with

any firsthand that date to the 1930s.

Q. Okay. What time period does the open holes tend to go away, or that type of completion?

A. Oh, I don't think any open-hole completions have probably been done since the early 1960s.

Q. Okay. When I look at your Exhibit Number 1, now, the yellow-shaded markings is -- ?

A. That's the Raptor acreage.

Q. Is Raptor acreage. Now, the areas that we're talking about here today -- Okay, well, let me go back. Referencing Exhibit Number 1, in looking at your yellow markings here in this particular pool, you have essentially two areas that look like they're correlative to each other. Are all of these within that lower big area that Raptor operates? And that looks like it's -- I can't see the -- Township 23 South, 36 East, or do you have some up above in the township to the north about --

A. No, this is all the acreage that we operate.

Q. Okay. But where are the cases that we're talking about today?

A. Two of the particular cases are in Section 11, which would be the section up to the north that stands out by itself. And then there are three locations that are down on the State "A" Account 1 lease to the south. Two of them are kind of on the west central portion of the area in

yellow, one is back to the southeast portion of the acreage.

We'll have individual plats that we'll show later that kind of identify those areas.

Q. Okay. Referring now to Exhibit Number 2, a couple of things stand out to me on this. Maybe you can clarify this to me.

When I look at the early 1960s, from 1960 to about 1970, production looks -- Gas production looks relatively consistent, almost a straight line. What was going on there, and what do you feel that represents?

A. Well, there was some ongoing work as wells, you know, would become uneconomical for lower horizons that they would plug back in and complete in the gas, depending on what market conditions existed at that point in time. There were a significant number of conversions done back in the 1970s when you see that spike, production increases there starting approximately the year 1970.

Q. There seems to be a trend each year, and that doesn't make much sense because whenever I see a year represented, does that usually correspond with January?

A. That's correct, that would be the start of that particular year.

Q. And the production is down. I thought the production would be up during the heavy use area or times

in January, as opposed to summertime.

Where did this market go for this gas?

A. It currently goes into the Sid Richardson system right now.

Q. Okay, where did it go at the time, then, the 1960s, that's represented here?

A. I'm not familiar historically what they did with it at that point, no.

Q. When did you start working out here, then?

A. In this particular area?

Q. Yes.

A. I've worked off and on in this area for 20 years. I had several assignments with Cities Service and OXY working this particular area, and then I've worked this area pretty extensively for about the last three or four years.

Q. Okay, so you're more familiar with the area from 1980 on?

A. That is correct.

Q. Okay, the big increase that occurred in 19- -- well, it looks like from 1990 to 1991 or even before then, that was not Raptor, that was Rasmussen?

A. That is correct. He initiated his development beginning in 1989, and basically all the work was done over an approximate three-year time frame, and then after 1991

all work was discontinued at that time and there was a change of operator to Clayton Williams.

Q. Okay. Now, what kind of work was being done? Was that new drill, recompletion?

A. It was a combination. The majority of the work were plugback/recompletions, but there were infill wells that were drilled. Typical in this area, wells that were drilled back in the 1940s, 1950s, there have been wells that have been plugged and abandoned, and some of those locations have been redrilled.

Q. And there hasn't been any problem selling the gas that is produced out of these areas?

A. Not at all.

Q. Okay.

A. In fact, there's tremendous demand for it right now.

Q. Okay, how about five years ago?

A. I don't think there's been any curtailment-type issues. They've been able to sell all the gas that I'm aware of since the late 1980s. There have been no problems with shutting in any of the gas at all; it's all been marketed.

Q. So far as the pipeline takes, there's not a problem of it not being able to take or the compression or cutting back --

A. No, there's no -- And in fact, actually the gathering system is capable of handling 20 million cubic feet of per day, and we're producing in excess of 7, so there's plenty of availability.

EXAMINER STOGNER: Okay, I have no other questions of Mr. Lawrence at this time. But you're going to recall him?

MR. CARR: I'm going to recall Mr. Lawrence at a later time to present additional information of a more specific nature.

EXAMINER STOGNER: Okay.

MR. CARR: At this time, Mr. Stogner, we call Bill Keathly to the stand.

BILL R. KEATHLY,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. Bill R. Keathly.

Q. Mr. Keathly, where do you reside?

A. In Midland, Texas.

Q. By whom are you employed?

A. I'm self-employed.

Q. And what is your relationship with Raptor

Resources, Inc.?

A. I was employed by Raptor as a consultant to identify the ownership in all of the 640-acre sections offsetting the proration units covered by this area.

Q. You've also done additional work for Raptor in the past few months, have you not --

A. Yes, I have.

Q. -- past year?

A. Yes.

Q. Have you previously testified before this Division?

A. No, I have not.

Q. Could you summarize your educational background?

A. I have a BA in accounting from Oklahoma State University.

Q. And when was your degree received?

A. January of 1962.

Q. And following graduation, for whom have you worked?

A. I worked 37 years with Conoco, primarily in the accounting, and in the latter years during the completion regulatory that was necessary after wells were permitted.

Q. Are you familiar with the Applications filed in each of these cases on behalf of Raptor Resources, Inc?

A. Yes, sir.

Q. And are you familiar with the status of the ownership of the lands and the areas which are the subject of these Applications?

A. Yes, sir.

Q. All right, Mr. Keathly, let's go first to the Application for the State "A" A/C 1, Wells Number 130 and 131. Would you explain to the Examiner in this case, Case 12,623, what it is that Raptor seeks?

A. We seek the addition of two unorthodox infill gas wells to the existing orders covering the nonstandard proration unit and the simultaneous dedication of all the Jalmat production in this 520-acre nonstandard unit.

Q. All right, what is Raptor Exhibit Number 8?

A. Number 8? Oh, Exhibit Number 8 is a copy of the order of the Division for Hal Rasmussen, Case 9775, Order Number R-9073.

Q. And is this the order -- and there are attached amendments to that order, but is this the order that actually approved the 520-acre nonstandard spacing and proration unit which is the subject of today's hearing?

A. Yes.

Q. And is that approved by Paragraph 8 of Exhibit A to this order?

A. Yes.

Q. Let's go to what has been marked as Raptor

Exhibit Number 9. Would you identify this, please?

A. Exhibit Number 9 is the C-102 plat for the proration unit that is in question.

Q. And this is actually the plat that was filed for the Well Number 130; is that correct?

A. Yes, sir.

Q. And the Well 130 is actually in the southeast southeast of Section 9?

A. That is correct.

Q. And this spacing unit actually crosses two sections. The southeast southeast of Section 9 is actually what? If this were a full section it would be the southeast of the southwest; is that right?

A. That's correct.

Q. And it's indicated 130.

The other well is the 131; it's in the 40 acres north of there?

A. That is correct.

Q. And each of the wells in the spacing unit, including the proposed new wells, are identified on this; is that correct?

A. That is correct.

Q. Is Mr. Lawrence going to present a table which shows the status and the producing capabilities of each of the wells on this spacing and proration unit?

A. To the best of my knowledge, yes.

Q. The wells that are shown here, the Application contained a description of each including its API number and the producing status of the well, did it not?

A. Yes, except for the Well Number 100, which has been plugged.

Q. And what was missing on that?

A. The API number, and we located that at the OCD office yesterday.

Q. And what is that number?

A. That number is 30-025-09279.

Q. Now with that map, let's go to the next exhibit, Exhibit Number 10, and I'd ask you to explain what Exhibit 10 is and...

A. Exhibit 10 is the offset operator plat showing all of the offsets in each of the 640 acres that offset the proration unit in 9 and 10. The proration unit is outlined in red and is not colored in.

Q. All right. If we look at the exhibit, it's color coded --

A. That is correct.

Q. -- was every operator on this plat notified of this Application?

A. Yes, sir.

Q. Were they provided a copy of the Application?

A. Yes, sir.

Q. Now, if we look at the Raptor acreage that is shaded in sort of a beige or brown, the spacing unit is offset all the way around by Raptor-operated property; is that correct?

A. That is correct.

Q. Is the working interest identical in the tracts that offset this property that is operated by Raptor with the working interest within the spacing unit?

A. Yes.

Q. In the east half of 17 there is a Raptor Resources tract. Is there any additional working interest owner in that tract that doesn't own interest in the other properties?

A. Yes, Hal Rasmussen owns a five-percent interest in that tract, and he was notified.

Q. In deciding in what area notice would be provided, how did you go about that?

A. I used a basis of doing every operator in the entire 640s that surrounded the area.

Q. So if there was a 640 that was included in the spacing unit, you treated that as if that whole section were included?

A. That's correct.

Q. And then you did all the 640-acre spacing units

all the way around?

A. That is correct.

Q. Let's go to Exhibit Number 11. Is this an affidavit that confirms that notice has been provided to each of these owners in accordance with the rules of the OCD?

A. That is correct.

Q. And we have attached to that affidavit the notice letter, and behind that Exhibit A, a list of the individuals to whom notice was provided?

A. Yes.

Q. And then behind that we have return receipts; is that correct?

A. That is correct.

Q. If we look at the return receipts, there is no return receipt from Doyle Hartman; is that correct?

A. That is correct.

Q. Have you checked the address that was used, to confirm that that, in fact, is the address to which certified mail has been sent and received in the past?

A. Yes, I have.

MR. CARR: Mr. Stogner, we also called Mr. Condon, attorney for Mr. Hartman, to advise him that the notice letter had been mailed. We don't know why we have not received the receipt back from Mr. Hartman.

Q. (By Mr. Carr) Now, Mr. Keathly, let's go to the next group of exhibits that are clipped together. These are for Case 12,624, and they involve the Well Number 133; is that right?

A. That is correct.

Q. And what is Exhibit 12?

A. Exhibit 12 is again the plat showing the proration unit.

Q. It shows all the wells --

A. All the wells.

Q. -- including any well that's been plugged and abandoned in the Jalmat?

A. That's correct.

Q. And the well which is the subject of this Application is the well in the northwest of the northwest?

A. That's true.

Q. What is the next exhibit, Exhibit 13?

A. Exhibit 13 is the offset operators plat, which shows the Raptor proration unit in white, outlined in red.

Q. Have all the interest owners identified on this exhibit been notified of this Application?

A. Yes, they have.

Q. And is the working interest in the Raptor tracts which offset the subject spacing unit identical to that within the spacing unit?

A. Yes, sir, that is correct.

Q. And is Exhibit Number 14 an affidavit confirming that notice of this hearing has been provided in accordance with the rules of the Oil Conservation Division?

A. Yes, it is.

Q. And again, the only person for whom we do not have a return receipt is Mr. Hartman; is that right?

A. That is correct.

Q. All right, Mr. Keathly, let's go now to the next group of exhibits. These are the exhibits for Case 12,625 and involve the Wells 79 and 80. Would you identify Exhibit Number 15?

A. Number 15 is again the C-102 plat comprising the 640-acre proration unit, showing all wells that are in that proration unit.

Q. And the subject wells are identified on this exhibit?

A. That is correct.

Q. What is Exhibit 16?

A. 16 is again the offset operator plat showing the Raptor acreage in white, outlined in red.

Q. And have all the interest owners identified on this property been notified of this Application?

A. Yes.

Q. And is the working interest in any offsetting --

Is there any offsetting Raptor --

A. No, sir, there is not.

Q. All right. Is Exhibit Number 17 an affidavit confirming that notice of the Application has been provided to each of these owners in accordance with the rules of the Division?

A. Yes, sir.

Q. Mr. Keathly, will Raptor call geological and engineering witnesses to explain the reasons behind the proposal to drill wells at each of these locations?

A. Yes, sir.

Q. Were Exhibits 8 through 17 either prepared by you or compiled at your direction?

A. Yes, sir.

Q. Have you reviewed them and can you testify as to their accuracy?

A. Yes, sir.

Q. In your opinion, have you provided notice as required by the Rules of the Division and the Order dated December 15th, 2000, of the District Court of Santa Fe County?

A. Yes, as best I understand it.

MR. CARR: Mr. Stogner, at this time we move the admission of Raptor Exhibits 8 through 17.

EXAMINER STOGNER: Exhibits 8 through 17 will be

admitted into evidence at this time.

MR. CARR: And that concludes my direct examination of Mr. Keathly.

EXAMINATION

BY EXAMINER STOGNER:

Q. Mr. Keathly, whenever you were preparing your Exhibits 14 and 16 and 10 -- these are the ones that show the offset operators and are done up in color --

A. Yes, sir.

Q. -- how did you determine who the operator was? What kind of search did you do?

A. I searched the files in Hobbs, I further researched the online system within the ONGARD system and verified who the operators were and where the wells were located.

Q. Which wells?

A. Whichever ones were -- I searched primarily for the Jalmat wells.

Q. Okay. Now, the wells shown on these maps, does that necessarily indicate Jalmat production, or does this show all wells within --

A. It shows all wells within the section --

Q. Okay.

A. -- whether they're Jalmat or not.

Q. And if you found an operator of a Jalmat well,

how did you determine how much acreage to shade?

A. I shaded the acreage that was owned by the operator in that area, whether they be Jalmat or not.

Q. So you did it by lease?

A. Yes, sir. I went over to Hobbs and went through their well file section by section.

Q. But you looked at the lease and not necessarily the dedicated acreage; is that correct?

A. I tried to look at dedicated acreage also, to make sure I was not leaving something out.

Q. Now, you've submitted a C-102 for each packet.

A. Proration unit, yes, sir.

Q. No, a C-102 is for each well. Which wells were you submitting a C-102 for?

A. We used the Well 130 to cover 130 and 131.

Q. Which exhibit is that?

A. That is Exhibit 9, sir. The 102 has the well number, but within the proration unit we have both 130 and 131 spotted, and we used that same format for wells 79 and 80.

Q. Now, I show that you have signed each one of the C-102s and the date on it is March 17th. Now, have these been submitted to the District Office?

A. No, sir, they have not.

Q. They have not. Now, when I look at these C-102s

-- and this is going to be submitted to the District, and not only for the well that you are applying for, that the C-102 represents, you're showing the other wells. Are these other wells just there for representation, or are they going to be simultaneously dedicated?

A. Simultaneously dedicated.

Q. How about a P-and-A'd well? Why would you -- Can you -- I --

A. You cannot dedicate a -- The P-and-A wells were put there for reference.

Q. Okay, for reference. So they can be taken out?

A. Yes.

Q. Okay. If I remember right, there's quite a few P-and-A'd wells represented on the advertisement today.

A. That's correct.

Q. Now, when you prepared your notification, which address did you use? Did you process that -- I mean, did you get that off the well files in the Hobbs office?

A. Those that I did not already have I got off of that, or I checked various other locations for the addresses. Most of them we had used several other times.

The one for Mr. Hartman had been used in a previous one, and a return receipt was received from him on that one.

Q. Okay. Now, in Exhibit Number 10 you show that a

Hal J. Rasmussen was -- Is he still operating?

A. Yes, sir, he has a light blue section down in 16, which would be Unit Letter O.

Q. Now, the address that you used for Mr. Hartman in Midland, have you successfully sent correspondence to Mr. Hartman before to this address?

A. Yes, sir, I have.

Q. Have you sent to an address in Tulsa -- I mean, in Dallas before?

A. No, sir, I have not used the Dallas office.

EXAMINER STOGNER: That's all the questions I have of Mr. Keathly based on what you have presented him here today as identifying the offset operators. With that I have no other questions of Mr. Keathly.

MR. CARR: And Mr. Stogner, I do have a return receipt from Mr. Hartman at that address, if you would like it for the record.

EXAMINER STOGNER: You know, that wouldn't be a bad idea to put that on the record.

MR. CARR: This is a letter we sent to Mr. Hartman in March of this year at that address, and it was received.

EXAMINER STOGNER: I know Mr. Hartman has a Dallas address, and I've been involved with an issue before where a Midland address and a Dallas address was at issue.

MR. CARR: And with your permission, at this time we would call our geological witness, Mr. Dave Pearcy.

DAVID B. PEARCY,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. David B. Pearcy.

Q. Mr. Pearcy, where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. I'm self-employed. I'm a geological consultant, and I've been asked by Raptor to assist in their redevelopment program at Jalmat.

Q. Have you previously testified before the New Mexico Oil Conservation Division?

A. Yes, I have.

Q. At the time of that testimony, were your credentials as an expert in petroleum geology accepted and made a matter of record?

A. Yes.

Q. Are you familiar with each of the Applications filed in these consolidated cases?

A. Yes.

Q. Have you made a geological study of the area which is the subject of each Application?

A. Yes, I have.

Q. Are you prepared to share that work with Mr. Stogner at this time?

A. Yes.

MR. CARR: Are the witness's qualifications acceptable?

EXAMINER STOGNER: They are.

Q. (By Mr. Carr) Mr. Pearcy, let's first go to the geology that relates to the Application in Case 12,623, the State "A" A/C 1 Wells 130 and 131, and I would ask you to first refer to what has been marked as Raptor Exhibit 18 and review that for the Examiner.

A. Exhibit 18 is a structure map on the top of the Yates sand in the vicinity of Section 9 where the proposed Well Number 130 is located in the southeast quarter. Contour interval here is 100 feet.

The general configuration is downdip to the west and undulating structure on top of the Yates.

Q. What data did you use in constructing this structure map?

A. I attempted to use all the logs that I could locate, both in libraries and in Raptor's files, but in many cases I ended up using a sample top. I also found a

wide disparity of kinds and vintages of logs, which made it sometimes a little bit difficult to get something consistent.

Q. Generally describe the formation in the area of this well, the 130.

A. Okay, the gross interval of the Yates sand can be found in all the wells throughout this area, although there are a lot of variations from well to well, as far as the pay quality and performance.

Generally, as we'll be proving later on, these sands are lenticular in nature, and they do again vary quite a bit from well to well. We're able to correlate much easier in the north-south direction than east-west. As you go particularly down at the west you find a lot of stratigraphic variation where the sands will tend to thicken.

Again, these reservoirs are highly heterogeneous in both the Yates and Seven Rivers, and often do not have individual sands extending for long distances.

Q. Did you prepare isopach maps of the formations at issue?

A. No, I did not.

Q. And why not?

A. I struggled with isopach maps for some time and found them difficult to construct, again because of the

different vintages and different kinds of logs. Throughout the Account 1 area, where there have been now 129 wells drilled, I was only able to find ten modern density neutron logs that I felt fairly confident, where I could make some net-pay picks.

So again dealing with logs, the poor quality, variable quality, different kinds, I ended up just presenting this structure map as the best representation of the area. Any kind of isopach map which I might have prepared I found quite subjective.

Q. Let's go to Exhibit 19. What is this?

A. Exhibit 19 is a cross-section, three-well cross-section. You see on the map I have shown the line of section A-A', running west to east. The left-hand map in this case is the Well Number 12, which was drilled in the 1940s and ultimately was completed in the uppermost section that's shown with the red perforations through the Yates sand.

There were perforations within the Seven Rivers interval, as I've also shown on the cross-section. Some of the hole was not logged at all, as you'll notice, and these perforations in the Seven Rivers in this well were found nonproductive. Although there was an initial potential of gas, in checking some of the old records, there was never any kind of significant production of gas from the Seven

Rivers.

Next well to the right, of course, is the location for the Number 130, which is the due east offset to the Number 12.

And then I jogged to the south to the Ares State well, which will be the south offset to the proposed location, and I'm showing a few perforations which were made down near the bottom of this well, which were ascribed to the Langlie-Mattix field.

The Yates production in this well has been shown again with the red bar near the top, and I want to point out only parts of the Yates sand were ever perforated in this well. They did never complete the entire Yates section.

On the right-hand side of the cross-section is the Number 127 which Mr. Lawrence has referred to earlier. You can see from the red dashes on here the intervals where we have made perforations in this well, and we now believe we're getting contribution from the entire Yates and Seven Rivers section, which is included in the Jalmat Pool.

Q. Now, Mr. Stogner had asked about how Raptor is going about perforating in the individual wells. This 127 is a good example, showing how you selectively go after individual --

A. That's correct, you can see individual

perforations that we attempt to make in each one of the sands, because we believe each sand has the potential to contribute pay that may or may not be producing in the offset wells.

Q. Mr. Pearcy, what conclusions can you reach about a well at the proposed location of the Number 130?

A. I want to point out that the Yates sand does thin from left to right across the area so that we do have more Yates sands and better Yates sands, we believe, in the Number 12 and the proposed 130, as compared to the Number 127.

Also want to point out that the entire Yates interval was not perforated in the Ares State, which is due south of the Number 130, and the Seven Rivers has been largely ignored in these other two wells besides the 127, as well as most of the wells in the area, and we believe that substantial reserves will be recovered by the Number 130 from both the Yates and Seven Rivers sands.

Q. Let's go to what has been marked Raptor Exhibit 20. Would you identify that? Is this the same structure map that you presented a few minutes ago for the Well Number 130?

A. That's correct, that same top of Yates sand showing in this case cross Section B-B', which generally runs from north to south through the proposed Well Number

130 and down again to the Number 127.

Q. All right, let's go to that cross-section, Exhibit 21.

A. This section shows that the far left-hand well, the Number 100, which is due north offset to the proposed Well Number 131, was again perforated in the Yates and in the upper part of the Seven Rivers only. They had overlooked in this well, we believe, a lot of reserves and the rest of the Seven Rivers that is still included in the Jalmat zone, perhaps because of some earlier bad experiences like the Well Number 12 we cited earlier.

Of course we have the proposed well, which is the next one, the bar shown there.

And then we move over to the east, the Number 56. This is one well where they again attempted to complete in some Seven Rivers Sands but were completely unsuccessful in establishing production in this well, and without testing the Yates sands, this well was plugged and abandoned, again going to the Well Number 127 that you've seen earlier, on the far right-hand side, with the perforations that Raptor has made there.

Q. And what conclusions from a geologic point of view can you reach about a well at the location proposed for the State "A" Account 131 well?

A. We again want to point out that that the Seven

Rivers has been largely unexploited in this area, although we found it to be productive in the Number 127. Again, these cross-sections are stratigraphic, hung on the top of the Yates, but the structure on the top of the Seven Rivers is not that different between these wells, and in spite of some of the bad experiences prior operators had, the Seven Rivers is, indeed, productive.

I want to again point out that the Yates sands are thicker in the vicinity of the Well Number 100 and proposed Well Number 131, such that there are bound to be some of these Yates intervals of sand that we have not contacted in the Number 127 and therefore we'll be unable to drain it in that wellbore.

Q. Do you need to drill both the 130 and 131 on this spacing unit?

A. We certainly do, in order to contact all the Yates and Seven Rivers prospective sand intervals.

Q. All right, let's go to the geological presentation in Case 12,624, and I'd ask you to review the information that you have prepared that relates to the State "A" Account 1 Well Number 133, Exhibit 22.

A. That's right, I have prepared a similar structure map on top of the Yates and in cross-section to help support our position for the Number 133 wellbore.

Q. Do you want to move from that to the cross-

section immediately, or do you --

A. Yes, I want to point out cross-section C-C', again on this top of Yates structure. The Yates is a less dramatic of a structure in this area on the far east side of Raptor's property. And again, this cross-section runs generally north-south direction, and I have again included one of the newer wells, Number 128, at the north end of the section.

If I may refer to the cross-section, the Number 128 is on the left-hand side, again showing the perforations that Raptor has made in each one of the sands within the Yates and the Seven Rivers. We believe that a hole is necessary in or very close to each one of these sands in order to produce all the reserves that are within both the Yates and the Seven Rivers interval.

We then proceed to the Number 133 location and thence to the well immediately south of the 133, which is the old Number 53, where there were perforations made throughout the Yates and Seven Rivers interval. This is one of the exception wells, which happen to be deeper in the area.

I included this in the cross-section because the additional control, although again I want to point out that the Seven Rivers was largely overlooked in this area as well, so that we expect the 133 will be able to produce

significant reserves from the Seven Rivers sands as well as the Yates sands.

Q. And are these reserves that without this well are not going to be recovered?

A. That's correct, any reserves within the area of the 133 are largely going to be overlooked. The other wells, as Mr. Lawrence will soon show, in the area are producing at generally low rates, and if we do not drill this well at the 133 location we'll be losing some reserves.

Q. All right, let's go to the geological information for Case 12,625, and I'd like you to present the information that relates to the State Account 2 Wells 79 and 80, and I'd ask you to start with Exhibit 24.

A. Exhibit 24 is, again, the top of the Yates in the vicinity of Section 11, where both 79 and the 80 wells are proposed. Cross-section D-D' has an elbow to it. Again, it takes in the well immediately north of the Number 79 and the well immediately east of the 79. In this area too, as I'll show, we have a lot of discontinuities and heterogeneities in the reservoir that will require the drilling of the Number 79.

I'd also like to point out at this time that the well that's at point D on the cross-section is in the Eumont field, and it's located 660 feet from the Raptor

lease line. It's a Eumont gas well that I'll show in a cross-section. It is completed in Yates and Seven Rivers, and this is one that would present a correlative-rights problem where Raptor will need to drill this well at location 79 in order to protect their gas.

Q. All right, are you ready to go to the cross-section?

A. The cross-section shows the well immediately north, which is the State N Number 5, currently operated by OXY. The perforations that were made in this well range from in the Tansil above the purple line there, through the Yates and down through most of the Seven Rivers, although there are a few feet down at the bottom which they did not drill to actually penetrate into the Eunice Pool. There is a twin well there which was completed in the Eunice Pool.

We go then to Number 79. Again, we need to drill this well to protect our rights.

And then the eastern well, the Number 15, shows that perforations were only made in the upper two-thirds of the Yates sand, and no perforations were ever made in the Seven Rivers in this well. So this is another case where you have substantial reserves in the Seven Rivers that we will lose and never produce unless we drill the location for the Well Number 79.

Again, discontinuities of the zones. You can see

that the sands thicken in this case toward the Number 15, within the Yates, and we just believe that there are some other zones within the Yates that we'll find that have not been affected by the OXY N 5, and just need to get that well drilled as soon as possible.

Q. All right, Mr. Pearcy, let's go to the information on the Account 2 Well Number 80. I'd ask you to refer to Exhibit Number 26.

A. Exhibit 26 is the same structure map on top of the Yates, this time showing cross-section line E-E', which runs from north to south through the proposed Well Number 80.

Q. Now let's go to the cross-section --

A. Okay, referring to the cross-section --

Q. -- Exhibit 27.

A. -- in this case, Mr. Stogner, the well on the left side is one of the newer wells drilled by Raptor, the Number 75. Based on geologic evaluation, the Seven Rivers sands appear to be so poor here we only perforated one of them near the top, although we do believe that these sands do improve getting away from this wellbore and that this Number 80 will probably find some other Seven Rivers sands that we did not even open in this new wellbore.

Again, Number 15 at the right-hand side, was never tested in the Seven Rivers, but based on our

experience we certainly believe there are a lot of Seven Rivers reserves, as well as the Yates, to be recovered in this area and that will be lost unless these two wells are drilled.

Q. Would you summarize for the Examiner the geological conclusions you can reach from your work in this area?

A. My work in the area, Mr. Stogner, indicates that there are so many discontinuities within both the Yates and Seven Rivers sands that these wells will be needed in order to effectively drain the reserves that Raptor has in the area.

Raptor's prior success has also illustrated that infill drilling in this way on undeveloped 40s finds significant reserves. I've looked up several other references published by the West Texas Geological Society and the AAPG which further document discontinuities in the heterogeneity in both the Yates and Seven Rivers, to the point where we firmly believe that unless this reservoir can be developed on 40-acre spacing, that we'll be losing reserves.

So these additional wells certainly need to be drilled.

Q. Mr. Pearcy, were Raptor Exhibits 18 through 27 prepared by you?

A. Yes, they were.

MR. CARR: Mr. Stogner, at this time we would move the admission into evidence of Raptor Exhibits 18 through 27.

EXAMINER STOGNER: Exhibits 18 through 27 will be admitted into evidence.

MR. CARR: And that concludes my direct examination of Mr. Pearcy.

EXAMINER STOGNER: Let's take a lunch break, and we'll reconvene here at 1:45.

MR. CARR: 1:45?

EXAMINER STOGNER: I'm sorry, 1:30.

MR. CARR: Yes, sir.

(Thereupon, a recess was taken at 12:25 p.m.)

(The following proceedings had at 1:30 p.m.)

EXAMINER STOGNER: This hearing will come to order. Let's see, what's Mr. Lawrence going to --

MR. CARR: Mr. Lawrence is going to come back and present tables on each of the wells similar to the one he showed in his first presentation on the 127, which give data on each of the offsetting wells.

EXAMINER STOGNER: Okay.

EXAMINATION

BY EXAMINER STOGNER:

Q. Okay, Mr. Pearcy, in looking -- I'm going to

refer now to Exhibits Number 18, 20, 19 and 21, this set that deals with the request of 12,623.

A. Okay.

Q. Now, in looking at the map, you show a low area in your structure map. Is this the intent, is to get the production out of this low area?

A. Not necessarily, Mr. Stogner. I do have a low which I do have some control on to the north and to the south and was just attempting to show some continuity of the structure across that area. I would tend to believe both the 130 and 131 will be at a very similar structural position to the Number 100 and to the areas Number 1, which are south of that little low.

Q. Now, when I look at your A-A' cross-section and looking at the old, what is that, State "A" A/C 1 Number 12 --

A. Number 12.

Q. -- what's its current status?

A. Current status is P-and-A'd.

Q. Okay.

A. And Mr. Lawrence will have a table showing that well was plugged in 1994, after making nearly 5 BCF.

Q. Okay. Well, because the one I interpret the -- one of the stipulations in the declaratory judgment is 160-acre spacing, in other words, adequately draining with one

well per 160. So you're going to put in two wells in here.

But I haven't seen any reason why you couldn't put just one well sort of in between the 30 and 31 and a little to the west. And as I'm very well aware of, you may be aware of, I know Mr. Carr is very aware of, and I think some other parties in here are very aware of, that Raptor has no problem about gerrymandering these proration units, perhaps bringing that 40-acre tract in that is the southeast of the -- I'm sorry, the southwest of the southeast, and getting more toward the center of that quarter section, wouldn't that -- and that might even save some drilling cost, if you more centered that well in that 160. Wouldn't that also serve the same purpose?

A. I don't believe so, Mr. Stogner. Again, pointing out the 127, which is also on this map, that well was surrounded by seven other wells which had produced from the Yates and Seven Rivers, and yet we're going to get .8 B's out of this well with virtually no production from the surrounding wells.

Q. Well, that was when -- never -- All right, you were wrong as I was wrong. I mean, I'll be the first. I was wrong by allowing additional wells to be put in out there. That's the way I was interpreting the rules and regulations all those years, the way Dan Nutter taught it to me and the way Dick Stamets taught it to me, but

obviously I'm wrong, pursuant to this.

A. Yes, sir.

Q. But now, no, you can't have more than one well per 160, so you may not have a choice. So that's where we have got to look at. So what's happened in the 127 before, again, I ask, why can't just one well more toward the center with what you're showing here, that low, wouldn't that suffice?

A. Mr. Stogner, I don't believe it would. Although we have drilled some of these wells under rules that are now apparently outdated, I think we have certainly proved to ourselves that we're losing reserves if we limit ourselves to one well per 160 acres.

EXAMINER STOGNER: Is your next witness going to show that, Mr. Carr?

MR. CARR: I think when you -- We're going to present the data on the offsetting properties, and I believe it will, yes. I mean on the offsetting 40.

Q. (By Examiner Stogner) Okay, in referring to Exhibit Number 24, let's take a look at the well in Section 11.

A. In cross-section D-D'?

Q. Yes, D-D'. And also you had mentioned about the well that's 330 feet away.

A. If I did say 330, I misspoke. It's 660 feet from

the lease line --

Q. Oh, okay.

A. -- that's the OXY --

Q. Oh, the OXY one. That's 660 feet?

A. Yes, sir.

Q. I've got so many maps out in front of me. Then this map is not to scale, then --

A. No, sir, the --

Q. -- because isn't the Number 79 well going to be 660?

A. That's right, the scales on these were probably blown up or shrunk somewhat, so the distances on all those wells, if you're looking at Exhibit Number 24, just to the north of our Section 11, most of those distances of standoffs are 660, such as the --

Q. That OXY well looks real close --

A. Well --

Q. -- so that's misleading, so I need to put a big X on --

A. It should be a 660.

Q. Well now, the Number 4 looks 660-660, because it seems to mirror the Number 79 --

A. Uh-huh.

Q. But the well up there to the north and east, you're saying, is 660. So what's Number 4 well's location?

Perhaps we need to redraw this map.

A. If I had a little bit more time here, Mr. Stogner, I might be able to find a scout ticket on that well and --

EXAMINER STOGNER: I tell you what, why don't -- Mr. Carr, have Exhibit Number 24 re-done, because this is very, very misleading. And if it goes beyond this point it will like -- I mean, I was under the impression that this well was needed to offset this offset drainage that is 330 feet away.

THE WITNESS: I can verify the scales on this map, Mr. Stogner, but our position is --

EXAMINER STOGNER: Well, if that be the case you shouldn't have made it such a -- that misleading. And there's no -- In fact, I'm going to have you re-do Exhibit Number 24 based on that, Mr. Carr. There's no sense in having it that bad.

THE WITNESS: Would the scale --

EXAMINER STOGNER: You shouldn't have done that at all. I mean, if that had -- I had a whole line of questioning on that. Yeah, in fact I'm going to give Exhibit Number 24 back to you, I'm not even going to take it. I don't want it to get confused in with this. You are to re-do that, Mr. Carr.

MR. CARR: We'll re-do it.

Q. (By Examiner Stogner) Now I'm beginning to question maybe some of the scales on these other maps.

A. Well, by "scale", Mr. Stogner, what I'm referring to --

Q. Well, take a look at it. Doesn't it look closer than 660-660, that OXY well that you keep referring to as -- It looks 330-330 to me.

A. It looks just about as far away from the lease line as Number 79 that we posted on there, and as far --

EXAMINER STOGNER: Well, then you have me a wrong map. I'd suggest, Mr. Carr, that we check all of the maps after today.

It's these little things like this, the reason we're here today, Mr. Pearcy, is because the Jalmat got like this. I've spent I don't know how many countless hours correcting problems, putting additional information in an administrative order that I shouldn't have had to do, that the applicant needed to do. When I get an application that's three pages long, an order that's issued is four pages long, and the file is a half inch thick -- There's no need of that. And it's things like this...

Q. (By Examiner Stogner) Okay, referring to Exhibit Number 23 and 22 now, the proposed perforated interval for the Number 133 will be to pick up that -- which zones again?

A. The Number 133, we want to certainly perforate within the Seven Rivers. That zone has been proven productive in the Well Number 128, again, which is at the left end of the cross-section, our new completion. And many of these sands were completed in the Number 53 as well.

I'll let Mr. Lawrence comment a bit on the treatment on the Number 53 well which was completed in the late 1970s, and we just -- Even though they did perforate everything, I'm quite certain they made a whole lot more holes than we're in the habit of making, and there are certainly questions as to if they were contacting, each well, the zones that they perforated.

So yes, sir, the Seven Rivers is certainly an objective here as well as the Yates.

Q. Okay. Now, I don't show that the Number 126 is in a cross-section. Is it, or -- It's not, is it? That is the well in Unit Letter C of Section 24.

A. Yes, sir, the 126 was a well that was drilled recently by -- excuse me, was not drilled by Raptor, it was drilled by a previous operator. And with just a moment here -- That was drilled in the early 1990s and was completed only in the Yates formation, as Mr. Lawrence will be showing a table of here briefly.

Q. Okay. Now, can that one be recompleted such that

-- I mean, since it's already a well, and without rising -- needing any further authorization from anybody, could that be recompleted in the Seven Rivers and pick up the same area in which you're wanting to perforate?

A. It would be possible, but again, the Yates --

EXAMINER STOGNER: No further questions, that will be good. Okay.

Mr. Carr, I had a whole bunch of questions on that other one, but because of scale on the map that's at hand, I was under the assumption that that was at a worst unorthodox location.

That concludes my questions of this witness. You may be excused.

Mr. Carr?

MR. CARR: May it please the Examiner, at this time we recall John Lawrence. I'd request that the record reflect the witness has previously been qualified and remains under oath.

EXAMINER STOGNER: Okay.

JOHN J. LAWRENCE (Recalled),

the witness herein, having been previously sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Lawrence, you're familiar with the

Applications filed in each of these consolidated cases by Raptor Resources, have you not?

A. Yes, I am.

Q. And you've made an engineering study of the area which is the subject of each Application?

A. That is correct.

Q. And you're now prepared to share that work with Mr. Stogner?

A. That is correct.

Q. I'd like to go to Exhibits 28 through 32 and work through these with you, and I would like you to go to first Exhibit Number 28. I think it would be helpful to again identify this and review the information on it for the Examiner.

A. Yes, Mr. Stogner, these are the particular wells that offset the well location number for the Well Number 130, and again what we have put on here is a historical as to when the well was completed, what interval it was actually completed in and the size and nature of the treatment that was put on that particular well, as well as the cumulative production totals from those particular wells, and current producing rate.

And as you can see, offsetting the Account 1 Well Number 130, with the exception of the Number 127, all the other wells are currently inactive, and there's no current

production offsetting this particular location.

The Well Number 127 is a diagonal offset that was completed in September, 2000, by Raptor and was a good completion for us.

Again, this is the basis that we have been using in trying to establish, you know, the opportunity for selecting a given location. You can see by the tremendous difference and discrepancies in the intervals completed in these wells, as well as the size of the treatments that were utilized, they range from a natural completion to one of the wells actually was frac'd with 192,000 pounds of sand, which was our more recent completion. It offsets this.

We feel that a 40-acre location is justified here. As the reservoir does move to the west, there is a thickening of the sand formations in here, they are lenticular in nature, and we believe that there are significant reserves to be recovered by placing a well in this particular location.

Q. In your opinion, can a well at this location efficiently and economically drain reserves from this spacing or proration unit that cannot otherwise be produced?

A. Yes, I do.

Q. Let's look at Exhibit Number 29. Would you

identify this, please?

A. Exhibit 29 is a similar exhibit for the Account 1 Well Number 131. Again, a significant number of the offsets here have just been completed in the Yates. There is one producing offset well that is currently making 14 MCF a day. All the other offset locations are inactive or plugged and abandoned, so there's -- you're not jeopardizing any type of accelerated decline that would affect the offset locations, because they are all currently not producing, with the exception of the Well Number 55.

Again, there is a difference in the size and treatment that was performed on these particular wells, and all the offsets to this particular location have not developed both the Yates and Seven Rivers sands that we would have identified as prospective pay.

Q. When we look at your plans for this well, is it your testimony that the reserves you would recover are new reserves, not just recovering reserves at an accelerated rate?

A. They would be new reserves, because you can see based on the offset producers, there's basically very little offset production associated right now.

Q. All right, let's go to Exhibit Number 30 -- this is in Case 12,634 -- and review the information on the Account 1 Well Number 133.

A. Again, these are the eight offsets to the proposed location in the State "A" Account 1 Well Number 133, and as you look at it there are -- one, two, three four -- five particular wells that are currently producing in and around this particular well, but the production is very marginal. The highest producing rate on one of the offsets is currently 39 MCF per day.

Typically, these wells, again, have had a tremendous variation in the size and scope of the treatment that was performed on them. There is very little associated offset production, and again there are discrepancies as to what zones were completed in those offset wells, which again we feel there has been bypassed reserves in this particular area by prior completion efforts.

Q. All right, let's go to Number 31. This is the Well Number 79, and this is Case 12,625. What does this exhibit show?

A. These are the offsets to the proposed State "A" A/C 2 Well Number 79 up in Section 11, and this is the particular location that is an offset to the OXY well that I guess is in question right now, Mr. Stogner.

Again, we feel that a location there is justified due to the fact that OXY has completed their wells in both -- their particular well in both the Yates and the Jalmat

offsetting us. Again, there is a tremendous difference in the vintage of these wells, the intervals that they were actually completed in, and the size of the treatment, ranging from one of the wells being treated with just 2000 gallons of acid to one of the recompletions that was done by a prior operator utilizing 172,000 pounds of sand.

And as you can see, that particular location, you know, has cum'd 561 million cubic feet of gas to date and is still producing 32 MCF. But the offset wells are producing at fairly marginal rates. Thirty-two to 49 MCF is the current production from the offsets that are active.

A number of the wells that are also offsetting us here are wells that are producing out of the Grayburg-Queen formation that don't have an existing Jalmat production.

Q. And finally, let's go to Exhibit Number 32, the data on the State A/C 2 Well Number 80.

A. This is the particular location that is also in Section 11. Typical of the vintage fracs that were done in the 1950s and 1960s, several were treated with a much smaller treatment than would typically be used in this day and time. Again, there have been bypassed zones in both the Yates and the Seven Rivers formation in this particular area.

You do have two wells up here that have a little more significant production, the State A/C 2 Number 62 and

then the Well Number 75. The Well Number 75 was a new-drill location that Raptor has done and has been a successful completion for us in this particular area.

Q. Mr. Lawrence, in your opinion, based on your engineering study of the area and your experience in the redevelopment program of the Jalmat Gas Pool, are each of the five wells which are the subject of today's hearing necessary to efficiently and economically produce remaining reserves under each of these three spacing units in the Jalmat Gas Pool?

A. I definitely believe that they are there necessary to be able to produce the remaining reserves in this gas reservoir.

Q. In your opinion, will the granting of this Application and the drilling of each of these wells result in the recovery of reserves that otherwise would be left in the ground?

A. Yes, there's no question as to that. I think when you look at the fact that the initial producing rates from our wells are better, greater than the wells that were recompleted by Rasmussen and Williams ten years ago, there's no evidence of any accelerated production based on individual well-curve analysis and leasewide production analysis, and that we've in fact doubled our existing production, more than doubled our existing production,

based on the performance of the work that we have done.

Q. And these are new reserves?

A. These are new reserves. I think without question they are new reserves.

Q. Will approval of each of these Applications otherwise be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, sir.

Q. Were Exhibits 28 through 32 prepared by you?

A. Yes, sir.

MR. CARR: At this time, Mr. Stogner, we'd move the admission into evidence of Raptor Exhibits 28 through 32.

EXAMINER STOGNER: Exhibits 28 through 32 will be admitted into evidence at this time.

MR. CARR: That concludes my direct of Mr. Lawrence.

EXAMINATION

BY EXAMINER STOGNER:

Q. Mr. Lawrence, as far as some of these -- these wells are, at least in some instances -- in a quarter section that has an existing well, why can't those wells that are existing be recompleted to these zones or in a manner in which will afford those zones in which you're

going after this time production?

A. Part of my concern with that, Mr. Stogner, is the fact that you have wells that typically have been completed in the Yates formation and have had fracs done to them. It is more difficult and risky to come back in and perforate below existing fractures and put a stimulation on those particular zones when you have maybe only several hundred feet separating the particular intervals.

The question or concern that I would have is the potential that you might frac into some existing fractures and not create the frac length in the particular well that you're dealing with.

So it's my preference that it helps to have a new wellbore, better cement. We can be very selective in the interval that we perforate and then in turn control the stimulation and get the fracture stimulation in the particular zone that we feel needs to be opened up.

Going back in an old wellbore that was completed back in the 1940s and 1950s, cement is a question. We have to frac down a work string, go down 3-1/2-inch tubing, in order to stimulate the wells versus being able to frac down new casing. And therefore your treating pressures are greatly reduced, and it enhances the particular stimulation that you can get out of a particular job.

So from that standpoint we feel it's worth the

business risk to spend those additional dollars to drill a new wellbore to effectively be able to open up those particular zones that are in question.

That's part of the reason we feel we've had the success in our program to date, is that we have been very successful in identifying those zones, being very selective in only utilizing 20 to 25 perforations in a given wellbore and be able to effectively open up this bypassed gas. Instead of using the approach just to come in there and put a massive frac or big treatment over the entire interval, we're being very selective in nature. Plus the fact with a new well we have the abilities with mud logs, new logs, things of that nature, to be able to get the data that we need to identify where those prospective zones are.

EXAMINER STOGNER: Just for the record, there was an e-mail on my machine that they were testing the fire system today.

MR. CARR: We're probably not on fire.

EXAMINER STOGNER: And today is February the 19th [*sic*]. I don't think we need to have a problem, because we're in the same building that the IRS is in. They had two armed guards here Monday.

Q. (By Examiner Stogner) Okay, I'll go back to the well in Section 9, that Case 12,623. There again -- and I have spent many a time writing an order gerrymandering

these proration units.

In this particular situation you had an existing well in there that had some production. Why can't one well be drilled somewhere in between these a little to the west that has the same results? Why do you need two?

A. Well, I think it's our feeling, based on the work that we've done, that there are reserves to be recovered on 40-acre spacing. I mean, I think that's the belief that we have, based on the number of wells that have been completed in this particular area by the previous operator and us, that there are 40-acre reserves that will not be recovered on any other density.

Again, you can drill a well like what you're describing, but I think you are, in fact, going to leave reserves behind by not drilling the proposed locations.

Q. Is that true in the whole Jalmat Pool?

A. I can't speak for the whole pool because of -- you know, the work that we have done over the last two years encompasses the acreage we have and maybe some of the offset acreage to us. But there are operators out there in the field that are also going back in and fracturing old wells and recovering significant reserves out of wells that are 30, 40 years old.

Again, our preference is, if we have a new wellbore like this with which to work, I think it's

beneficial in gathering information that helps us to determine what some of the additional opportunities are in the field. And our study has been pretty much just in the areas that we operate and maybe some of the offsetting acreage to us. That is a significant trend.

I can't speak to some of the stuff that may happen 10, 15 miles to the south. We've seen differences in the reservoir on 40-acre locations.

Q. The great equalizer was prorationing, but there again, I was wrong. Keep that in mind whenever the new rules come out. If Raptor and many of the other operators come in, then I'm sure you're going to have that opportunity to put that in the rules. Right now, we're controlling the number of wells in a quarter section because of not only my mistake but a lot of others. But I'll be the first to admit, I made a mistake.

What's your opinion as commercial production, what's the minimum rate that a well can produce and still maintain pay out?

A. We think that you could have a well that could produce as little 10 MCF a day with current prices and still be economical, based on our typical operating expenses on a per-well basis, that approximately 10 MCF a day would be an economic limit.

Again, when you look at the amount of gas that

would need to be produced to pay back the capital investment on one of these new drill-and-equips, with current prices it just takes a little over 70 million cubic to be able to pay out that initial investment. And I think the numbers prove out that the potential recoveries are significantly above that.

EXAMINER STOGNER: I don't have any other questions of Mr. Lawrence. Do you have anything further, Mr. Carr?

MR. CARR: Very briefly, Mr. Stogner. That concludes our presentation.

We will correct Exhibit 24, and we will confirm to you in writing the scale on all remaining exhibits.

I did prepare proposed orders in this case. But with your permission, since this attorney has a misstatement of the pool rules in these proposed orders, I would like an opportunity to revise them. And I think they are of value in trying to look at the case, because they have taken at least every exhibit and broken it down by Application, and they're not lengthy, and they provide, I think, a road map to anyone who's trying to evaluation this Application.

So with your permission, I'd like to file all of that as soon as we're able to correct the exhibit, and I will deliver that to you at that time.

That concludes our presentation in this case.

EXAMINER STOGNER: Mr. Carr, what's your opinion about holding this matter up until such time as the rules -- the new -- the order -- I'm sorry, the case to consider new rules in the Jalmat?

MR. CARR: Well, the problem we have with that is, we have, you know, plans to drill and rigs ready and all of that, and the -- you know, there are so many players and issue when we look at the change in the Jalmat rules. I mean, the net effect of putting this and other people's development programs on hold is that it basically shuts down the development of this reservoir for an indefinite period of time.

I want you to know that I truly appreciate what a difficult situation has evolved in terms of how the Jalmat Pool is to be developed and how it is to be regulated. Traditional tools are now suspect, and it creates an extraordinarily difficult problem for you as a regulator, for us as operators.

We have plans to go forward. We would like to do that. We think we can show that the wells do produce new reserves that are going to be left in the ground if they're not allowed to be drilled, they are -- And so to that extent they're necessary. Certainly they can be -- this development can be economically done at today's prices, or

even as Mr. Lawrence showed earlier, at prices less than half of what we have today.

We've notified, we believe, literally everybody and their dog, and we've gone beyond what you might construe the notice area in an attempt to comply with that court order, again recognizing that that court order certainly does create issues and problems that fall on both sides of this hearing room.

We would ask that if possible the Applications be considered. We're going to file the proposed orders, and then at that point it's within your domain.

EXAMINER STOGNER: For the record, I understand that the case will probably be continued for another month, because another number-one priority has been given the person that's rewriting the Jalmat rules. I don't know when the Jalmat will get a number-one priority.

Okay. With that, Mr. Carr, I will hold the record open pending reissuance of Exhibit Number 24. And when do you think you may have that rough draft?

MR. CARR: I have the rough drafts actually here. They corrected in a matter of hours.

EXAMINER STOGNER: Why don't we do that? Let me see if -- can I -- If you've got one, let's go ahead and submit it.

MR. CARR: All right, I've got one --

EXAMINER STOGNER: I can work with you on --

MR. CARR: I have one in each case, but I would really like to revise them, because I hate being in the public record not knowing the Jalmat Pool.

EXAMINER STOGNER: I can understand that. Okay, and that's easy to know because this is -- the rules for the Jalmat. It's not impossible to understand.

MR. CARR: Mr. Stogner, I'm going to give you copies of each of the orders. These are just drafts, and I would like to revise them, and I'll substitute them tomorrow.

EXAMINER STOGNER: Okay, let's go off the record.

(Off the record)

EXAMINER STOGNER: If there's nothing further in these three cases, then the record will be held open pending Exhibit Number 24 and the rough drafts --

MR. CARR: Yes, sir.

EXAMINER STOGNER: -- and you should have them to me tomorrow.

With that, this hearing is adjourned.

(Thereupon, these proceedings were concluded at 2:15 p.m.)

* I, ** hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 12623, 624, 625 heard by me on 19 April 2000.

, 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 April 27th, 2001.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002