

March 13, 2002
10:00 am
XTO office
Farmington NM

XTO
Surface Commingling
application
heard 3/7

Terry Mathews with XTO invited me to attend a meeting the hearing examiner asked them to have with Mr. Armenta.

Attendees were:

XTO. Ray Martin, Tim Welsh, Terry Mathews

Surface owner, Mr. & Mrs. Armenta

OCD, Charlie Perrin

Ray Martin, with XTO presented a well site diagram. He pointed out and explained how the flow of gas would be from the C 1A well through a meter to the compressor and then to the pipeline meter of Williams. The second well, (G 1) will also be connected to the compressor and the gas from both wells will go through the compressor and to the Williams line.

The method of allocation would be the total gas into the Williams line from the compressor. From this total subtract the gas metered from the C 1 A well. The difference would be the gas from the G 1.

Mr. Armenta said he did not understand how compression would do anything other than save XTO money and if it didn't help him he did not want the compression. Mr. Armenta brought up safety concerns of one compressor not being as safe as two compressors. He also indicated the Williams line was damaged and he was concerned about the line holding the increase in pressure the compressor would cause.

I tried to assist in explaining the risks of two compressors are double the risk of one, as you have twice the machinery and twice the chance for problems.
I informed Mr. Armenta that the DOT is the regulatory agency for the Williams line.

Mr. Armenta has a concern that the increase in line pressure in Williams line will reduce gas from another well and reduce his royalty payment from it.

Mrs. Armenta told how unhappy she was about the land being taken out of her use, she helps her husband work the land and it is used to take care of the family. She also made the statement that XTO is in it for the money and so are they.

The issue of well location came up and I was asked who decides where the well is placed, I tried to explain the drilling window and the set back. The question was then made into

who approves the APD.s, I explained that BLM is responsible for federal and the OCD for state and fee.

Mrs. Armenta indicated XTO is in it for the money and so are they. She also mentioned that XTO saved lots of money by putting the well in the middle of the field and she want some of the savings.

Mr. Armenta is not happy with the communication from XTO, He wants \$20,000 surface and access damage money for each well. The question was asked if XTO went back and drilled a second well on the same pad would the \$20,000 surface damage he is asking for pay for that too, Mr. Armenta says he wants \$20,000 per well, Burlington paid him that years ago and each operator has paid a per well fee.

He is concerned if these two wells are put on compressor, the other well s he gets royalty from will start dropping off.

The location of meter house is at the end of a runoff from his field, he is unhappy about the placement and also not being contacted of where to place it.

Mr. Armenta said when the meeting was held in June the decision to put the well by the battery was made and agreed to by Frank Chavez, Jim Lavato, and Terry Mathews. The well was not put there.

I told Mr. Armenta I was at that meeting on location that day and my understanding the proposed location was a possibility and it would be considered.

The well anchors are not buried and he was told they would be, Terry explained the anchors are buried when all the well completion work has been completed and if that was the agreement the work will be done.

Mr. Armenta expressed his feelings about XTO not coming to talk to him. He presented several letters from XTO regarding surface damage communication. . One of the problems he indicated was the wording of surface damage agreement that included a measurement of road that included 500 ' of BLM road and how he could have been in trouble if he signs the contract that indicated the BLM road.

Mr. Armenta expressed aggravation with the OCD saying it took 2 years for Denny to come to their house and get a well fixed.

Mr. Armenta's father killed by gas line explosion when he was very young, he grew up without his father.

Mrs. Armenta had a meeting to attend at 2PM and the meeting started breaking up past noon.

I asked Mr. Armenta if he understood the technical operation of well compression and he indicated to me that he did not XTO didn't want to work with him and he does not want compression.

During the meeting a lady walked into the room and took a chair at the end of the table next to the Armentas. She was never introduced nor did she introduce herself. She asked questions and made various comments about surface owners being treated badly, she asked questions about surface owner rights, I explained leases and how the lease agreement signed years ago was the legal document allowing the wells to be drilled on the land, any rights or needs should have been addressed in the agreement. She indicated the only thing to do was hire an attorney and not one in the San Juan basin would take a case against a company. She said unless you were a surface owner and had a company drill a well on your land you can have no idea what it is like, She said you can not use the land and it is lost forever, no one wants to live close to it even after it is gone. She mentioned well location not being best for the surface owner. She left before the meeting was over, after the meeting I asked Terry Mathews who she was, he didn't know, everyone was asked and no one knew who she was, Mr. Armenta said he did not know who she was, The receptionist at XTO said she came in and indicated she was with OCD. I requested a statement be taken from the receptionist.

March 15, 2002

I received a call from Mr. Armenta, he is having problems with the pumper of an SG interest well, leaving the gate open and wanted the companies phone number.

I asked him if he understood the technical part of the meeting yesterday and he said actually it caused him to have more questions. He said he now has the plats for every well on his land and he does not understand the dedicated acreage. That too much is dedicated in the wrong way, some are the north half and some are the east or west and it makes an L and he does not understand. I invited him to come to the office and discuss it with our geologist and myself; he said he thought the meeting should be with Tim the land man with XTO, Mr. Armenta and myself. Frank walked into my office and I asked Mr. Armenta to hold on and let me put him on the speaker so we could discuss it with Frank as he might be able to help, Mr. Armenta said he didn't get along with Frank and didn't want to talk to him. I put him on hold and Frank and I picked it up in his office and Mr. Armenta told Frank about the gate, when I started repeating the questions he asked me he said we can get together and discuss that later.

March 18, 2002

I reviewed a call from Terry Mathews saying he is calling Mr. Armenta and informing him XTO will setting a compressor on the old well some time soon. Terry also informed me there were two ladies at the receptionist desk when the lady made her statement and both would be signing the statement.