

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

IN THE MATTER OF THE HEARING CALLED BY )  
 THE OIL CONSERVATION DIVISION FOR THE )  
 PURPOSE OF CONSIDERING: ) CASE NO. 12,912  
 )  
 APPLICATION OF YATES PETROLEUM )  
 CORPORATION FOR COMPULSORY POOLING, )  
 EDDY COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

August 22nd, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, August 22nd, 2002, 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.

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02 SEP -6 PM 2:30

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## I N D E X

August 22nd, 2002  
 Examiner Hearing  
 CASE NO. 12,911

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## A P P E A R A N C E S

## FOR THE DIVISION:

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Assistant General Counsel  
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## FOR THE APPLICANT:

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P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

## ALSO PRESENT:

MICHAEL E. STOGNER  
Hearing Examiner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

WILL JONES  
Engineer  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:47 a.m.:

3 EXAMINER BROOKS: At this time we'll call Case  
4 Number 12,912, Application of Yates Petroleum Corporation  
5 for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. CARR: May it please the Examiner, my name is  
8 William F. Carr with the Santa Fe office of Holland and  
9 Hart, L.L.P. We represent Yates Petroleum Corporation in  
10 this matter, and I have two witnesses.

11 EXAMINER BROOKS: Any other appearances?

12 Will the witness please stand and identify  
13 themselves?

14 MS. RICHARDSON: Janet Richardson.

15 MR. AMIET: John Amiet.

16 EXAMINER BROOKS: Please swear the witnesses.

17 (Thereupon, the witnesses were sworn.)

18 EXAMINER BROOKS: Mr. Amiet, of course, was  
19 previously sworn, and I guess his testimony will be double-  
20 true. You may proceed.

21 EXAMINER STOGNER: Or he will be doubly in  
22 trouble.

23 MR. CARR: Double perjury or double true, one or  
24 the other.

25 EXAMINER BROOKS: You may proceed, Mr. Carr.

1 MR. CARR: Thank you sir.

2 JANET RICHARDSON,

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

5 DIRECT EXAMINATION

6 BY MR. CARR:

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

8 A. Janet Richardson.

9 Q. Ms. Richardson, where do you reside?

10 A. Artesia, New Mexico.

11 Q. By whom are you employed?

12 A. Yates Petroleum Corporation.

13 Q. What is your position with Yates?

14 A. Assistant land manager.

15 Q. Ms. Richardson, you've previously testified  
16 before this Division?

17 A. Yes, I have.

18 Q. At the time of that testimony, were your  
19 credentials as a petroleum landman accepted and made a  
20 matter of record?

21 A. Yes, they were.

22 Q. Are you a certified petroleum landman?

23 A. Yes.

24 Q. Are you familiar with the Application filed in  
25 this case on behalf of Yates Petroleum Corporation?

1           A.    Yes, I am.

2           Q.    And are you familiar with the status of the lands  
3 in the area which is the subject of this case?

4           A.    Yes.

5           MR. CARR:  Are Ms. Richardson's qualifications  
6 acceptable?

7           EXAMINER BROOKS:  They are accepted.

8           Q.    (By Mr. Carr)  Would you state what it is Yates  
9 seeks in this area?

10          A.    Yes, we would like an order compulsory pooling  
11 the spacing and proration units in Section 25 of Township  
12 21 South, Range 26 East.  The first would be the south  
13 half, which would form a standard gas spacing and proration  
14 unit for all formations developed on 320-acre spacing, and  
15 that would be for the pools Undesignated Burton Flat-Morrow  
16 Gas Pool, the Undesignated Crozier Bluff-Atoka Gas Pool,  
17 and the Undesignated Northeast Happy Valley-Strawn Pool.

18               And we would also like to have covered the  
19 southeast quarter to form a standard spacing and proration  
20 unit for any and all formations developed on 160-acre  
21 spacing.

22          Q.    And to what well do you propose to dedicate these  
23 spacing units?

24          A.    The Louise "AYI" Well Number 1, which will be  
25 drilled at a standard location 1630 feet from the south

1 line and 682 feet from the east line of Section 25.

2 Q. Yates intends to drill this well as a straight  
3 hole; is that correct?

4 A. Yes.

5 Q. From this same well location you have previously  
6 directionally drilled a well; is that right?

7 A. Yes, that is correct.

8 Q. Have you prepared certain exhibits for  
9 presentation here today?

10 A. Yes.

11 Q. You've identified several pools that are  
12 potential targets. What is the primary objective of this  
13 well?

14 A. The Morrow formation.

15 Q. And the secondary objectives would be what?

16 A. The Atoka and the Strawn formations.

17 Q. Let's go to what has been marked Yates Exhibit  
18 Number 1. Would you first identify this and then review it  
19 for Mr. Brooks?

20 A. Exhibit Number 1 is a land plat showing the  
21 section that our well proposal is in, along with the nine  
22 sections around it. The solid yellow is what Yates has  
23 leased 100 percent, and the outlined yellow is where we  
24 have a partial interest in there. It also shows the  
25 spacing unit, the south-half spacing unit, along with the

1 well location which is indicated by the orange dot, which  
2 is right next to the well that we already -- the surface  
3 location that we already drilled.

4 Q. If we look at that orange dot, there appear to be  
5 three directional wellbores coming out of that general  
6 location.

7 A. Correct.

8 Q. Which one was drilled?

9 A. The one that was drilled is the one that goes  
10 directly south.

11 Q. What about the other two? Does Yates intend to  
12 ultimately attempt from this location to directionally  
13 drill those wellbores?

14 A. At one time they considered it, and now I believe  
15 -- They do not intend to drill those at this time.

16 Q. What is the status of the acreage in this spacing  
17 unit? Is it all fee land?

18 A. It is all fee land.

19 Q. You've shaded part of it in yellow. All of that  
20 is Yates are fully committed to this well, correct?

21 A. Yes, that is correct.

22 Q. And then there is an area outlined, sort of an  
23 irregular area in the southeast quarter, that is white.

24 Q. That is the area that we have parts of that area  
25 which need to be compulsory pooled.



1 Q. All right, let's go to Exhibit Number 2. Is this  
2 a blow-up of the area that is white on Exhibit 1?

3 A. Yes, it is.

4 Q. And if we look at this exhibit, actually it  
5 doesn't show the south half of the section, does it?

6 A. No, it does not. It's just strictly a blow-up of  
7 the neighborhood area that is outlined on Exhibit 1.

8 Q. And if we look at it, the southeast corner of  
9 Exhibit 2 would correspond with the southeast corner of  
10 Section 25; is that right?

11 A. That is correct.

12 Q. What does this show, Exhibit 2?

13 A. Exhibit 2 is a blow-up of the Riverside Country  
14 Club Subdivision. The northern line of that -- it's kind  
15 of a diagonal line that goes across there -- is actually  
16 the northern boundary of the Carlsbad city limits at that  
17 point. This is colored to show what we have leased, of the  
18 lots and blocks that are leased. The X'd-in ones -- there  
19 are a few of those -- are soon to be leased. They have all  
20 agreed; we don't have their paperwork in yet. And then we  
21 had one party who decided he wanted to participate in the  
22 well.

23 Q. When was this subdivision actually developed?

24 A. Sometime in the early 1940s.

25 Q. And at that time did the mineral rights go with

1 the surface estate?

2 A. Yes, they did.

3 Q. What has subsequently occurred in this area that  
4 has now resulted in so many severed mineral interests?

5 A. In the early 1970s, another company had gone in  
6 and attempted to lease the minerals. And once that  
7 happened, then as the people sold and moved out of the  
8 neighborhood, they decided they'd better keep their mineral  
9 interests, whereas before that, when they deeded their  
10 house they also deeded the minerals.

11 Q. So for the last 30 years, in fact, the typical  
12 conveyance severs the mineral estate; is that correct?

13 A. Yes, it does.

14 Q. All right, let's look at what has been marked as  
15 Yates Petroleum Corporation Exhibit 3. What is this?

16 A. Exhibit 3 is a list of the -- well, what would be  
17 the white lots on Exhibit 2. These are the nonresponsive  
18 or unknown addresses for all the parties that we're  
19 searching for on the mineral owners.

20 Q. And approximately how many people are either  
21 uncommitted or you've been unable to locate?

22 A. We're thinking about 157.

23 Q. And how many do you approximately have already  
24 committed to the well in this area?

25 A. We have approximately 120.

1 Q. 120?

2 A. Uh-huh.

3 Q. What is Exhibit Number 4?

4 A. Exhibit Number 4 is the correspondence that we  
5 have sent out to attempt to acquire this acreage.

6 Q. And these are sample letters?

7 A. These are sample letters, I didn't include copies  
8 of all the letters. We started out in March of 2001, and  
9 we just canvassed the neighborhood. At that time that we  
10 had started with the tax assessor's rolls, we did not have  
11 any title work done yet, and during that time we had  
12 somebody doing a title takeoff.

13 Then later in March is the next letter, and what  
14 that was is a letter to all the owners, because we were  
15 going to drill this directional well near this  
16 neighborhood. And it explained why we were drilling, what  
17 we were drilling for, what a lease does, what the well was  
18 going to do, all that sort of thing, because they were a  
19 bunch of lease -- you know, mineral owners that were  
20 unfamiliar with oil and gas terminology.

21 Q. So in an effort to identify and bring these  
22 people in, you first looked in the tax rolls?

23 A. Yes, we did.

24 Q. You canvassed the neighborhood?

25 A. Yes.

1 Q. You had a title take-off done?

2 A. Yes.

3 Q. Did you check the Social Security index to try  
4 and identify these people?

5 A. Yes, we checked that out and also many other  
6 things on the Internet. You know, telephone lists, all  
7 different sorts of things, trying to locate these people.

8 Q. And you have a number of people you simply can't  
9 find?

10 A. That's correct.

11 Q. Have you, in your opinion, made a good-faith  
12 effort to identify all the interest owners in this  
13 subdivision?

14 A. Yes.

15 Q. As to any proceeds from the well that would be  
16 attributable to these interests, how does Yates propose to  
17 handle those?

18 A. We would escrow the suspended funds in a bank in  
19 the county.

20 Q. And what percentage of the interest in the  
21 spacing unit today has voluntarily committed to this well?

22 A. Seventy-seven percent.

23 Q. Yates has drilled a directional well in this  
24 area?

25 A. Yes, they have.

1 Q. From this same wellpad; is that right?

2 A. Yes, they have.

3 Q. Have you also drilled straight holes in the area?

4 A. Yes, not quite this close, but we have --

5 Q. But similar wells?

6 A. -- drilled straight holes in the area, yes.

7 Q. What is Exhibit Number 5?

8 A. Exhibit Number 5 is our authority for expenditure  
9 for drilling this well.

10 Q. And what are the costs as set forth on this  
11 exhibit?

12 A. Dryhole cost is \$887,000, completed well costs  
13 are \$1,361,000.

14 Q. Are these costs in line with what has actually  
15 been incurred by Yates in drilling similar wells in this  
16 general area?

17 A. Yes.

18 Q. Would you identify what has been marked as Yates  
19 Exhibit Number 6?

20 A. Exhibit Number 6 is our accounting procedure for  
21 joint operations, as found in our operating agreement  
22 proposed for this well.

23 Q. And does this COPAS accounting procedure for  
24 joint operations provide for the adjustment of overhead and  
25 administrative charges?

1           A.    Yes, it does.

2           Q.    And does Yates request that the overhead and  
3 administrative charges for the subject well be adjusted in  
4 accordance with these procedures?

5           A.    Yes, we do.

6           Q.    What are the overhead and administrative costs  
7 for the well while drilling and also while producing if, in  
8 fact, it is successful?

9           A.    The drilling well rates are \$5400 per month, and  
10 the producing well rates are \$540 per month.

11           MR. CARR: And I don't believe, Mr. Examiner,  
12 those are included on the compulsory pooling form that we  
13 have provided.

14           EXAMINER BROOKS: No, they were not filled in,  
15 but they are on the accounting procedure.

16           MR. CARR: All right.

17           EXAMINER BROOKS: It's the same as on the  
18 accounting procedure, correct?

19           MR. CARR: Yes, sir.

20           THE WITNESS: Yes.

21           Q.    (By Mr. Carr) Ms. Richardson, how do these  
22 figures compare to the most recent median figures from the  
23 Ernst and Young study?

24           A.    They are a little lower. Those figures are \$6000  
25 for drilling well rates and \$600 for producing well rates.

1 Q. Is Exhibit Number 7 an affidavit confirming that  
2 notice of this hearing has been provided in accordance with  
3 Oil Conservation Division Rules?

4 A. Yes.

5 Q. And is a copy of our notice letter attached to  
6 that affidavit?

7 A. Yes.

8 Q. And behind that is an Exhibit A. It contains  
9 names and addresses of a number of individuals. Who are  
10 these people?

11 A. Those are the individuals that we have addresses  
12 for. That's why we contacted these.

13 Q. And so what you've got here are all those people  
14 who you've been able to identify but who have not yet  
15 committed their interest to the proposed well?

16 A. Correct.

17 Q. Does Yates Petroleum Corporation seek to be  
18 designated operator of the well?

19 A. Yes.

20 Q. Will a geological witness be called to review the  
21 risk associated with the development of the well?

22 A. Yes.

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

25 A. Yes, they were.

1 MR. CARR: At this time, Mr. Examiner, we would  
2 move the admission into evidence of Yates Petroleum  
3 Corporation Exhibits 1 through 7.

4 EXAMINER BROOKS: Exhibits 1 through 7 are  
5 admitted.

6 MR. CARR: And that concludes my direct  
7 examination of Ms. Richardson.

8 EXAMINER BROOKS: Okay, I notice you have the  
9 southeast quarter for 160-acre units, but no pools are  
10 mentioned. Are there no pools affected?

11 MR. CARR: At this time, no pools that are  
12 identified are developed in that area on 160-acre spacing.  
13 I included that only because if we do get a gas well at  
14 that interval, we'd like to have the acreage pooled.

15 EXAMINER BROOKS: Very good. Since I've got this  
16 form I don't think I need to...

17 EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Oh, well, first, the formation, objective  
20 formation, you've put 12,000 feet, which I assume is your  
21 objective depth. What is the formation? Is that a Morrow  
22 well?

23 A. Morrow.

24 EXAMINER BROOKS: Thank you, I think that's all I  
25 have.



## EXAMINATION

BY EXAMINER STOGNER:

Q. I have a question here. In referring to Exhibit Number 1 -- and we may want to refer this to the geologist, but one of the wells, and I'm assuming that this lot that you're going to be drilling in was -- has three other wells, or at least drilled them -- there seems to be a hole that was directionally drilled due west --

A. No --

Q. -- bottomhole location --

A. No, sir, that is apparently a mistake on the map. The only producing well -- or going to be producing, is a straight line south, and it terminates at 660 from the north and east of Section 36. And the other two should just be locations that were filed for.

Q. Okay, so this is not an infill well, this is an initial well within the south half?

A. That's correct. Well -- Yes, that's correct.

MR. CARR: Yes, that's right.

EXAMINER STOGNER: Okay, that's all the questions I had.

MR. CARR: At this time we would call Mr. Amiet. I would request the record reflect he's doubly sworn. His credentials have once been accepted and made a matter of record.

1 EXAMINER BROOKS: The record will so reflect.

2 EXAMINER STOGNER: The record will so reflect.

3 (Off the record)

4 EXAMINER BROOKS: You may proceed, Mr. Carr.

5 JOHN AMIET,

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

8 DIRECT EXAMINATION

9 BY MR. CARR:

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

11 A. John Amiet.

12 Q. Mr. Amiet, have you made a geological study of  
13 the area which is the subject of this Application?

14 A. Yes, I have.

15 Q. Are you prepared to share the results of that  
16 work with the Examiner?

17 A. Yes, I am.

18 Q. What is the primary objective in the well?

19 A. The Morrow.

20 Q. Let's go to what has been marked as Yates  
21 Petroleum Corporation Exhibit Number 8. Would you identify  
22 that, please?

23 A. This is an upper Morrow net sand isopach map.

24 This --

25 Q. The wellbore, the horizontal wellbore is

1 indicated on this exhibit, is it not?

2 A. That's correct.

3 Q. And that is the only horizontal well that Yates  
4 has drilled from the south half of Section 25?

5 A. That's correct, this --

6 Q. And you're now intending to drill a straight hole  
7 from basically the same surface location?

8 A. That's correct.

9 Q. Okay. Could you review for Mr. Brooks what this  
10 exhibit shows?

11 A. This map is showing, like I said, the upper  
12 Morrow net sand isopach. It's a little confusing -- well,  
13 you can confuse the section numbers with the net sand. The  
14 net sand is shown immediately right of the wellbore.

15 There's only two wellbores that have any sand in  
16 the upper Morrow. The Tracy directional well that was  
17 drilled in Section -- TD'd in Section 36 has 12 feet, and  
18 the well in Section 30 has four feet, right on the edge of  
19 this channel. All the rest of these wells to the east are  
20 producing from the middle Morrow formation.

21 These are some excellent wells as you go to the  
22 east, but none of these wells have produced from the upper  
23 Morrow, so Yates is coming in and trying to -- This trend  
24 of middle Morrow to the east is kind of north northwest, so  
25 we've tried to parallel, we think that the upper Morrow

1 will parallel the middle Morrow trend, and we're  
2 essentially projecting this trend to go north northwest  
3 from this one well, the Yates Tracy "AXW" State Number 1.

4 This well has not yet produced. It has IP'd for  
5 2.6 million, but it's not on production yet. So there's a  
6 lot of risk here. We're using one wellbore, no seismic,  
7 trying to extend this trend to the north.

8 Q. And you've extended this trend, really, to  
9 parallel trends in the middle Morrow --

10 A. That's correct.

11 Q. -- which is below this, off to the east and  
12 northeast; is that right?

13 A. That's correct.

14 Q. And you developed this geological interpretation  
15 with two well points?

16 A. That's correct.

17 Q. Are you prepared to make a recommendation as to  
18 the risk penalty that should be assessed against any  
19 interest owner who doesn't voluntarily participate in the  
20 well?

21 A. Since this is such a risky well, we have no  
22 seismic, we're recommending a 200-percent penalty.

23 Q. In your opinion, could you drill a well at this  
24 location that would not be a commercial success?

25 Q. Yes, we could.

1 Q. Would granting the Application and the drilling  
2 of this well result in an opportunity to access minerals  
3 that otherwise are not going to be developed?

4 A. Yes.

5 Q. Would it be in the best interest of conservation  
6 and the prevention of waste to develop this acreage as  
7 proposed?

8 A. Yes, it would.

9 Q. How soon does Yates propose to spud the well?

10 A. It will be within the next several months.

11 Q. Was Exhibit 8 prepared by you?

12 A. Yes. Well, it was under my supervision.

13 Q. Okay, and the name on the exhibit is Ray --

14 A. -- Podany.

15 Q. And he works with you and under -- this has been  
16 prepared under your supervision?

17 A. That's correct, he and I work together.

18 Q. Can you testify as to the accuracy of this  
19 interpretation?

20 A. Yes, I can, I've reviewed it.

21 MR. CARR: At this time, Mr. Examiner, we'd move  
22 the admission of Yates Petroleum Corporation Exhibit 8.

23 EXAMINER BROOKS: Yates Exhibit 8 is admitted.

24 MR. CARR: And that concludes my examination of  
25 this witness.

1 EXAMINER BROOKS: I don't think I have any  
2 questions. Do you, Mr. Stogner?

3 EXAMINER BROOKS: Yeah, I do.

4 EXAMINATION

5 BY EXAMINER STOGNER:

6 Q. On Exhibit Number 8 you show the directional  
7 well, and that's the -- what, the Tracy --

8 A. Tracy --

9 Q. -- "AXW" State Number 1?

10 A. That's correct.

11 Q. Okay. And this well is presently producing  
12 Morrow or Atoka?

13 A. Well, it's got pay in the Morrow. It's not  
14 producing yet. It -- Like I say, it IP'd for 2.6 million,  
15 but they're just getting it hooked up. They're assuming  
16 next month they'll have the thing in production.

17 Q. Is this a conventional directional drill in which  
18 the surface constraints -- Well, you're under the river,  
19 aren't you?

20 A. Yes, this was to stay out of the city --

21 Q. Okay, it's not a horizontal, per se?

22 A. No, it's a directional.

23 Q. Okay. Now, the map that you prepared here today,  
24 did you include what -- or do you have seismic data or log  
25 data off of that State Number 1?

1           A.    We have log data --

2           Q.    Okay.

3           A.    -- there is no seismic data.

4           Q.    So you prepared this map with that information?

5           A.    That's correct.  The two data points that show  
6 sand, and all the rest of the data points here show zero  
7 sand in the upper Morrow.  But this is all -- All this is  
8 off of well control.

9                   The upper Morrow is not near as prolific a  
10 producer as the middle Morrow, which is a tremendous  
11 producer as you go to the east.  We're trying to start  
12 another trend here with -- extend this trend.

13                   EXAMINER STOGNER:  No other questions.

14                   MR. JONES:  I have a question.

15                                   EXAMINATION

16           BY MR. JONES:

17           Q.    For the people that haven't signed up on this  
18 well yet, what kind of payout can you expect?

19           A.    I'd say it's a very risky well.  We're hoping --  
20 At this depth you'd hope to get a BCF-and-a-half well, to  
21 be an economic well.  So it -- I haven't done the  
22 economics, but I would expect 12 months at least to pay out  
23 a BCF and a half.

24           Q.    Very good, 12 months for payout.  So your risked  
25 reserves would be what range?  It looks like you've got

1 about 14 feet of pay you're expecting --

2 A. Yeah, 12 feet of pay. I'm sorry, could you ask  
3 the question again?

4 Q. About how many risked reserves are you expecting  
5 for the well?

6 A. Well, like I say, the risk is, I think, very  
7 high. We're projecting this off of two wells. The risked  
8 reserves, I'm not sure I could answer that.

9 Q. What about your success -- your risk factor? Are  
10 you expecting a 50-percent risk success range?

11 A. I would probably say it's riskier than that, in  
12 my opinion.

13 Q. Like one in four?

14 A. One in three or one in four, yes.

15 Q. One in three or one in four. So how big are  
16 those middle Morrow wells? How many --

17 A. They can -- There are some 10-BCF middle Morrow  
18 wells five miles kind of to the south and east.

19 Q. And how thick are they?

20 A. They're 70 to 80 feet.

21 Q. Oh, okay.

22 A. So you're much thicker, that's correct. This  
23 well -- Like I say, it IP'd very well, and it just depends  
24 if this is a -- how extensive this reservoir is, whether or  
25 not the production stays up there. But from the IP and



1 producing for a couple of days, the pressure didn't decline  
2 that much. So again, we're encouraged and crossing our  
3 fingers, hoping that this pressure stays there and that it  
4 will keep producing at several million a day for a year or  
5 so.

6 MR. JONES: That's all my questions. Thank you.

7 EXAMINER BROOKS: Thank you very much.

8 I have a question for Mr. Carr, because Mr.  
9 Stogner asked me a question. I don't know the answer to it  
10 in New Mexico for sure. I can cite you authority in Texas  
11 and Colorado and perhaps some other states, but -- that  
12 would seem to be indicative.

13 But assuming that the streets in this subdivision  
14 were dedicated to the public authority and subsequently the  
15 lots were conveyed by lot number -- lot and block number  
16 only, without metes and bounds of description, do the heirs  
17 and successors of the subdivider own any interest in the  
18 minerals under the streets?

19 MR. CARR: I believe there's no New Mexico  
20 authority on that.

21 EXAMINER BROOKS: I was not aware of any.

22 MR. CARR: And I'm not just trying to duck that  
23 question, because that has come up in the past, and I  
24 believe there is no New Mexico authority.

25 EXAMINER BROOKS: I was not aware of any, and I

1 have signed title opinions making exceptions on that,  
2 but --

3 MR. CARR: And I don't know whether the lots go  
4 to the middle of the street or not.

5 MS. RICHARDSON: We are in current negotiations  
6 with the City of Carlsbad. As that was annexed in,  
7 apparently the City believes they had those minerals --

8 EXAMINER BROOKS: Well, now, that --

9 MS. RICHARDSON: -- but it's a gray area --

10 EXAMINER BROOKS: -- seems strange to me, because  
11 I wouldn't have thought they would acquire any interest by  
12 dedication. The dedication normally just conveys an  
13 easement, although there's some qualification of that in  
14 Colorado. Now, Colorado is a little different on that.  
15 And who knows, New Mexico might follow Colorado.

16 Okay, there being nothing further, Case Number  
17 12,912 will be taken under advisement.

18 (Thereupon, these proceedings were concluded at  
19 9:13 a.m.)

20 \* \* \*

21  
22 I do hereby certify that I am a duly sworn and qualified  
23 a competent and disinterested person, and that I have  
24 the deponent's testimony of Case No. 12,912, as  
25 heard by me on \_\_\_\_\_.

\_\_\_\_\_, Clerk of the Court  
Oil Conservation Division

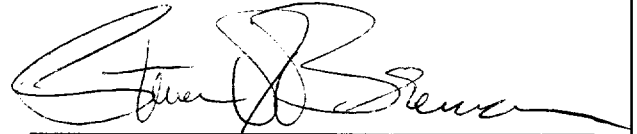
CERTIFICATE OF REPORTER

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 August 24th, 2002.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002