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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. 10355
 APPLICATION OF NEARBURG PRODUCING)
 COMPANY)
 _____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 25, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil
 Conservation Division on July 25, 1991, at 10:29 a.m. at the
 Oil Conservation Division Conference Room, State Land Office
 Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico,
 before Freda Donica, RPR, Certified Court Reporter No. 417,
 for the State of New Mexico.

FOR: OIL CONSERVATION BY: FREDA DONICA, RPR
 DIVISION Certified Court Reporter
 CCR No. 417

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I N D E X

July 25, 1991
Examiner Hearing
CASE NO. 10355

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APPEARANCES

NEARBURG PRODUCING COMPANY WITNESSES:

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JERRY B. ELDER	
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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Commission
 State Land Office Building
 310 Old Santa Fe Trail
 Santa Fe, New Mexico 87501

FOR THE APPLICANT: CAMPBELL & BLACK, P.A.
 Suite 1, 110 N. Guadalupe
 Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

1 HEARING EXAMINER: Call next case number 10355, on the
2 top of page three.

3 MR. STOVALL: Application of Nearburg Producing Company
4 for compulsory pooling and a nonstandard gas proration unit,
5 Lea County, New Mexico.

6 HEARING EXAMINER: Call the appearances.

7 MR. CARR: May it please the Examiner, my name is
8 William F. Carr, with the law firm Campbell and Black, P.A.
9 of Santa Fe. I represent Nearburg Producing Company, and I
10 have two witnesses.

11 HEARING EXAMINER: Are there any other appearances?
12 Will the witnesses please stand and be sworn?

(Witnesses sworn.)

14 HEARING EXAMINER: Mr. Carr.

RANDY V. WATTS

16 the witness herein, having been first duly sworn, was
17 examined and testified as follows:

DIRECT EXAMINATION

19 BY MR. CARR:

20 Q. Will you state your full name for the record,
21 please?

22 A. Randy V. Watts.

23 Q. Mr. Watts, where do you reside?

24 A. In Roswell, New Mexico.

25 Q. By whom are you employed and in what capacity?

- 1 A. I'm self-employed, independent petroleum landman.
- 2 Q. And in this case, what is your role?
- 3 A. I was the landman that put this prospect
- 4 together.
- 5 Q. And you're working on this project for Nearburg
- 6 Producing Company?
- 7 A. Yes, sir, I am.
- 8 Q. Have you previously testified before the Oil
- 9 Conservation Division?
- 10 A. No, sir.
- 11 Q. Would you briefly summarize your educational
- 12 background and work experience for Mr. Stogner?
- 13 A. I graduated with a B.A. from Howard Payne
- 14 University in 1974. I got a degree in mathematics and
- 15 accounting. I worked for five years in the accounting
- 16 profession, and then I became an independent landman in
- 17 1979. Since that time, I have worked actively and
- 18 continuously in that capacity, focusing primarily in
- 19 southeast New Mexico and West Texas.
- 20 Q. You were employed for a brief time as a landman
- 21 for Hondo also, were you not?
- 22 A. That's correct. For six months I worked for
- 23 Hondo Oil and Gas Company.
- 24 Q. Are you familiar with the application filed in
- 25 this case on behalf of Nearburg Producing Company?

1 A. Yes, sir, I am.

2 Q. Are you familiar with the subject area?

3 A. Yes, sir, I am.

4 MR. CARR: We tender Mr. Watts as an expert witness in
5 petroleum land matters.

6 HEARING EXAMINER: Mr. Watts is so qualified as a
7 practical landman. And you did get your degree in
8 mathematics; is that correct?

9 THE WITNESS: Mathematics and accounting, yes, sir.

10 Q. (By Mr. Carr) Mr. Watts, could you briefly state
11 what Nearburg seeks with this application?

12 A. We're seeking an order for compulsory pooling and
13 a nonstandard gas proration unit in Lea County, New Mexico,
14 in the undesignated North Osudo Morrow Gas Pool.

15 Q. What is the size of this nonstandard proration
16 unit? How many acres are included?

17 A. 631.76.

18 Q. Is that due to a survey variation?

19 A. A surveyor error, that's correct.

20 Q. Have you prepared certain exhibits for
21 presentation here today?

22 A. Yes, sir, I have.

23 Q. Could you refer to what has been marked for
24 identification as Nearburg Exhibit Number 1, identify that
25 and review it for Mr. Stogner?

1 A. Yes, sir. This is a Midland map land plat of our
2 subject area, highlighting Section 30, which we're seeking a
3 nonstandard gas proration unit, with our location marked in
4 red, located 1,980 feet from the east line and 1,650 feet
5 from the south line of Section 30-19-36.

6 Q. Now, what are the spacing and well location
7 requirements that are applicable to the subject well?

8 A. The North Osudo Morrow Gas Pool field rules call
9 for 640-acre spacing.

10 Q. What are the setback requirements as set forth in
11 those rules?

12 A. The well will have to be located 1,650 feet from
13 the outer boundaries of the proration unit.

14 Q. So this well is proposed at a standard location?

15 A. That is correct.

16 Q. Now, you indicated you were the landman
17 responsible for this project?

18 A. Yes, sir.

19 Q. What percent of the interest in the spacing unit
20 are voluntarily committed to this well?

21 A. Over 96 percent.

22 Q. And how many working interest or mineral interest
23 owners have you had to approach and obtain joinder from to
24 reach this 96 percent figure?

25 A. Mineral and leasehold owners, it was well over

1 50.

2 Q. Could you just identify for the Examiner who at
3 this time still has not voluntarily agreed to participate in
4 the well?

5 A. Well, there's a total of four. One is a Helen M.
6 Zanders, who we have determined to be deceased, and then a
7 Marilyn Cone, trustee for the D.C. Trust, Clifford Cone and
8 Kenneth Cone.

9 Q. Let's go first to the Zanders interest. Can you
10 just tell us how you determined that she was deceased and
11 what you have done to attempt to reach a voluntary agreement
12 as to that interest?

13 A. Her last known address in 1969 was in Houston,
14 Texas. And our search down there traced her to a nursing
15 home. The director had indicated that she had passed away
16 in 1983. Since that time, we have checked the probate
17 records of Harris County and found --

18 Q. Was there a probate on her estate?

19 A. No, sir.

20 Q. What else? Have you been able to identify any
21 heirs?

22 A. Well, I have determined a sister-in-law who I
23 corresponded with, but as of this date has never supplied me
24 with any of the information we requested to determine where
25 she is.

1 Q. Has she advised you that it's too complicated for
2 her to handle?

3 A. Yes, sir.

4 Q. And she was advised of the hearing today?

5 A. Yes, sir.

6 Q. The other interest owners are the Cone
7 interests. Could you just review the efforts made to obtain
8 their voluntary participation?

9 A. We initially contacted Douglas Cone, who is the
10 beneficiary of the D.C. Trust, Clifford Cone and Kenneth
11 Cone about July of last year, 1990. In fact, we were able
12 to acquire an oil and gas lease from Clifford and Kenneth
13 under Section 31, the tract immediately to the south of our
14 proposed well now. But Douglas Cone elected to be force
15 pooled at that time.

16 We were never able to consummate a trade in
17 Section 30 as to their mineral interests, and we actively
18 started pursuing a trade in our proposed section in June of
19 this year, calling them on June the 19th, which they have
20 never, except for one instance, ever returned my calls.
21 Kenneth and Clifford, I still never heard anything back from
22 at all. Douglas' office did call me one day and asked for
23 some AFE costs and said that Douglas would be getting back
24 to me in the very near future. I never heard back from
25 him. So in the early part of July I sent certified letters

1 to all three of them, requesting an oil and gas lease.

2 Q. And is a copy of that -- copies of the certified
3 letters what's been marked as Exhibit Number 2?

4 A. That's correct.

5 Q. Mr. Watts, when you initially contacted the Cones
6 in mid-1990 you were talking about their participation in
7 wells to be drilled both in Sections 30 and 31?

8 A. That's correct.

9 Q. All right. And that you were able to get some
10 participation in 31, but they have never agreed to
11 participate in Section 30?

12 A. That is correct.

13 Q. In your opinion, have you made a good faith
14 effort to identify these interest owners and obtain their
15 voluntary participation in this well?

16 A. Yes, sir, I have.

17 Q. Could you identify what has been marked as
18 Nearburg Exhibit Number 3?

19 A. That's our authority for expenditure on the
20 proposed well.

21 Q. Could you review the totals on this for the
22 Examiner?

23 A. It shows a cost to casing point of \$629,074.00,
24 completed cost of \$299,060.00, for a total well cost of
25 928,134.

1 Q. Have you been involved in efforts to obtain
2 voluntary participation in other Morrow wells in this area?

3 A. Yes, sir, I have.

4 Q. Are these costs in line with the costs proposed
5 for those wells?

6 A. In fact, they're a little bit less than our other
7 well that we've drilled out there.

8 Q. Has Nearburg made an estimate of overhead and
9 administrative costs for this well while drilling and also
10 while producing, if, in fact, it is successful?

11 A. Yes, sir. We reviewed the Ernst & Young Copus
12 schedules, and it shows for -- under a drilling well
13 \$5,400.00 a month and under a completed well \$500.00 a
14 month.

15 Q. And do you request or recommend that these
16 figures be incorporated into any order which results from
17 this hearing?

18 A. Yes, sir.

19 Q. Does Nearburg Producing Company seek to be
20 designated the operator of the proposed well?

21 A. Yes, sir, we do.

22 Q. Will Nearburg call a geological witness to
23 testify as to the risks involved in this effort?

24 A. Yes, sir.

25 Q. Mr. Watts, is Exhibit Number 4 an affidavit from

1 Campbell and Black with attached letters and return receipts
2 confirming that notice has been provided to the Cone
3 interests?

4 A. Yes, sir.

5 Q. Do you have anything further to add to your
6 testimony?

7 A. I can't think of anything.

8 Q. Were Exhibits 1 through 4 either prepared by you,
9 or have you reviewed them, and can you testify as to their
10 accuracy?

11 A. Yes, sir, I have reviewed them. I would testify
12 to their accuracy.

13 MR. CARR: At this time, Mr. Stogner, we would move
14 have the admission of Nearburg Exhibits 1 through 4.

15 HEARING EXAMINER: Exhibits 1 through 4 will be
16 admitted into evidence.

17 MR. CARR: That concludes my direct examination of Mr.
18 Watts.

19 HEARING EXAMINER: Mr. Watts, you stated in your
20 testimony that you had initially contacted the Cone
21 interests in July of '90?

22 THE WITNESS: Yes, sir.

23 HEARING EXAMINER: Was that through correspondence or a
24 telephone conversation?

25 THE WITNESS: Both.

1 HEARING EXAMINER: On your Exhibit A, that's your
2 notification -- I'm sorry, on Exhibit Number 4, Attachment
3 A, you have people who you sent interests to; Sarah Grimes
4 and Fina Oil Company appear on there too. What's the status
5 of their interests?

6 THE WITNESS: We have consummated trades with them,
7 also W. A. Skees and his wife.

8 HEARING EXAMINER: And who was the party in which --
9 I'm sorry, the name slips me -- the deceased party?

10 THE WITNESS: Helen M. Zanders.

11 HEARING EXAMINER: And you said you had contacted a
12 sister?

13 THE WITNESS: Sister-in-law.

14 HEARING EXAMINER: What was her name?

15 THE WITNESS: Her name is Grace Morgan. She's a widow
16 and lives also in Houston.

17 HEARING EXAMINER: Was she sent notification of this
18 proceeding?

19 THE WITNESS: No, sir, inasmuch as we weren't aware for
20 sure if she was an heir.

21 MR. STOVALL: Do I understand your testimony correctly
22 that you have just gotten some identification of her as an
23 heir, and you have absolutely nothing of record or in your
24 files to --

25 MR. CARR: We just know she's a sister-in-law. We

1 don't know if she's an heir. And she's also elderly, and
2 her response to inquiries has been that it's too complicated
3 a matter for her to respond to.

4 MR. STOVALL: It is your opinion, Mr. Carr, your legal
5 opinion, that she is not entitled to notice under the rules
6 because she does not have any sort of verification of her
7 interest in the property?

8 MR. CARR: That's why notice was not provided. And
9 until this can be resolved, the proceeds attributable to
10 this interest will have to be escrowed. And if we can get
11 some indication that there is anyone to whom they're
12 entitled, then we will go forward with them. At this time
13 there's no probate, and the only thing we can get from
14 talking to the nursing home is an indication that this woman
15 is apparently her sister-in-law.

16 MR. STOVALL: But there's been no -- I think it raises
17 the question -- I'll discuss this on the record with you
18 because I think it's something we may need to think about in
19 the future. Essentially, you have a situation similar to
20 quiet title action where you've got a deceased person and no
21 identified heirs; is that correct?

22 MR. CARR: Correct.

23 MR. STOVALL: So, therefore, there's been no actual
24 personal service of notice on that interest, whoever may own
25 it, because you don't know who owns it.

1 MR. CARR: Correct.

2 MR. STOVALL: There's also been no advertisement, as
3 such, to the heirs of Mrs. Zanders and anybody claiming
4 through her; is that correct?

5 MR. CARR: There's only been a general legal
6 advertisement, nothing indicating -- well, to the heirs of
7 Mrs. Zanders.

8 MR. STOVALL: Put you on the spot here, Mr. Carr. In
9 terms of the effectiveness of a forced pooling order, I
10 think it's generally agreed that a forced pooling order is
11 only good to those parties to whom notice has been given.
12 Would you agree, as a general principle?

13 MR. CARR: I think that's correct, but I would also
14 think that a general notice by publication in the county
15 where the property is located is what is required.

16 MR. STOVALL: I agree. I just am concerned if we don't
17 actually do as in a quiet title "notice to the heirs of."

18 MR. CARR: We're not actually changing the title to the
19 property. We're simply combining the interest, which I
20 think is a different kind of procedure. The ownership
21 interest will remain and the proceeds will be retained, and
22 if an owner surfaces or can be identified, then they will be
23 entitled to make a claim on that.

24 MR. STOVALL: Mr. Watts, are you aware under the New
25 Mexico Oil and Gas Proceeds Payment Act that the operator

1 will continue to be obligated to attempt to locate?

2 THE WITNESS: Yes, sir, I am. I'm familiar with that
3 statute.

4 MR. STOVALL: Again, I raise these not particularly to
5 challenge Nearburg's efforts, but to point out that there is
6 a -- to make sure that everything is done so that you don't,
7 in fact, get challenged by somebody else later down the
8 road.

9 THE WITNESS: I did talk with the son of Grace Morgan,
10 and he said, "Look, this does not concern me. We're not
11 heirs." I said, "Well, if we could just fill out the
12 affidavit of heirship, we could determine that." He said he
13 was not interested in doing that.

14 MR. STOVALL: Not even interested in helping you
15 identify parties who might be?

16 THE WITNESS: To this point he has not been.

17 MR. STOVALL: I'm satisfied that Nearburg has made a
18 good faith effort to give appropriate notice. I don't think
19 at this time, based upon the rules of the division, that
20 anything further is required, but I do so with the caution,
21 and not the determination, but rather the caution -- I think
22 you're aware that obviously somebody may come out --
23 hopefully they do, and they can get their money -- but I
24 don't think there's anything further that Nearburg can
25 really do, based upon the testimony that's been provided

1 with respect to the Zanders interest.

2 I have no further questions of this witness.

3 HEARING EXAMINER: With this question of the Zanders
4 interest at issue, I'm a little concerned that I really
5 don't have anything more showing me where their interest is,
6 how much acreage. Are we talking about what percentage? Do
7 you have any information?

8 MR. CARR: Yes, we can give you that information.

9 THE WITNESS: Helen M. Zanders' interest amounted to
10 9.71 net acres, which would calculate to a working interest
11 of 1.53517 percent.

12 HEARING EXAMINER: Over the whole 640.

13 THE WITNESS: Yes, sir, 631.5 acres.

14 HEARING EXAMINER: And in looking at Exhibit Number 1,
15 it appears that this acreage is pretty well divvied up as
16 far as different leases and such. Is this 9.71 acres one
17 quarter quarter?

18 THE WITNESS: It's contained in Lots 1 and 2 in the
19 east half of the northwest, sometimes referred to as the
20 northwest quarter.

21 MR. STOVALL: Lots 1 and 2 are the northwest northwest
22 and the southwest northwest?

23 THE WITNESS: That's correct.

24 HEARING EXAMINER: And in that west half of the
25 northwest, that is a -- that 9.71 net acres represents a

1 divided or undivided interest?

2 THE WITNESS: An undivided interest under the total of
3 155.4 acres.

4 HEARING EXAMINER: And that's the Zanders interest,
5 right?

6 THE WITNESS: That is correct.

7 HEARING EXAMINER: How about the Cone interests? And
8 when we talk about the Cone interests, is that one interest
9 or is this split up between the Clifford Cone and --

10 THE WITNESS: They each owned undivided interests under
11 the same tract. That was just described for Mrs. Zanders.
12 And their interests are all equal inasmuch as each one of
13 them would own 3.885 net acres, which would calculate to a
14 working interest totaling .61422 percent.

15 HEARING EXAMINER: And that is cumulative, right?

16 THE WITNESS: Each one of them would have the interest
17 I just cited.

18 HEARING EXAMINER: How many Cones are there, three?

19 THE WITNESS: There's three, yes, sir.

20 MR. STOVALL: Mr. Watts, are you familiar with the Cone
21 family? Have you ever had any dealings with them before?

22 THE WITNESS: The last 12 years.

23 MR. STOVALL: And is this the same Cones who have been
24 subject to numerous other forced poolings by this division?

25 THE WITNESS: I would feel pretty certain they were the

1 same ones, yes, sir.

2 MR. STOVALL: My reason for asking that is simply to
3 state in the record that they are not unknowledgeable
4 people. They are aware and have had dealings with
5 operators, you, specifically, and I'll note for the record
6 other operators, and therefore --

7 THE WITNESS: I've had difficulty --

8 MR. STOVALL: Somewhat different than Mrs. Zanders'
9 sister-in-law who is apparently unsophisticated in these
10 particular issues. These are people who know what's going
11 on.

12 THE WITNESS: They own lots of minerals in southeast
13 New Mexico.

14 HEARING EXAMINER: And not to mention Mrs. Zanders.
15 And these four parties are the only people -- are the only
16 interests in which you are seeking forced pooling today.

17 THE WITNESS: That is correct.

18 HEARING EXAMINER: And the overhead charges were 5,400
19 while drilling and 500 while producing?

20 THE WITNESS: That's correct. That's a 1090 Ernst &
21 Young schedule.

22 HEARING EXAMINER: Are there any other questions of Mr.
23 Watts?

24 EXAMINATION

25 BY MR. STOVALL:

1 Q. With respect to the Grimes interest, is it true,
2 to your knowledge, that the Grimes interests, Mr. Nearburg,
3 Mark Nearburg, reached an agreement with them in the last
4 couple of days?

5 A. Yes, sir, on Monday morning.

6 MR. STOVALL: For the record, I'll indicate that Mr.
7 Nearburg was in my office at the time he did so. And there
8 was some question prior to that, but that, in fact, I have
9 been advised by Mr. Grimes, who's identified himself as
10 Sarah's husband, that they have, in fact, reached an
11 agreement.

12 THE WITNESS: I talked to him again Tuesday, yes, sir.

13 HEARING EXAMINER: Who paid for the phone call?

14 MR. STOVALL: Probably the State of New Mexico.

15 HEARING EXAMINER: I'm sure Mr. Carr will see that the
16 state gets reimbursed appropriately.

17 MR. STOVALL: I made the call. I placed the call
18 actually, so I guess it's --

19 MR. CARR: We'll be happy to pay for the call.

20 MR. STOVALL: I think I'm through.

21 HEARING EXAMINER: With that, Mr. Watts, you may be
22 seated.

23 Mr. Carr, you may diligently continue.

24 JERRY B. ELDER

25 the witness herein, having been first duly sworn, was

1 examined and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. CARR:

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

6 A. Jerry B. Elder.

7 Q. Mr. Elder, where do you reside?

8 A. In Midland, Texas.

9 Q. By whom are you employed and in what capacity?

10 A. By Nearburg Producing Company as a geologist.

11 Q. Have you previously testified before this
12 division and had your credentials as a geologist accepted
13 and made a matter of record?

14 A. Yes, I have.

15 Q. Are you familiar with the application filed in
16 this case?

17 A. Yes, I am.

18 Q. Are you familiar with the subject area?

19 A. Yes, I am.

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

21 HEARING EXAMINER: They are.

22 Q. (By Mr. Carr) Have you prepared certain exhibits
23 for presentation here today?

24 A. Yes, I have.

25 Q. Could you identify what has been marked as

1 Nearburg Exhibit Number 5 and review that for Mr. Stogner?

2 A. Exhibit Number 5 is on a scale of one to a
3 thousand.

4 MR. STOVALL: Just a second, Mr. Elder. Let me get
5 this open. Okay.

6 A. Exhibit Number 5 is a one-to-a-thousand scale
7 geological map of the subject area. On it is incorporated
8 all of the surrounding well control, with the subject
9 acreage 30 in the proposed location identified in the
10 southeast quarter of Section 30. The map has two geological
11 items pertinent. One is a structure map in which the
12 contours have been identified and labeled as developed on
13 the top of the Morrow Clastic section. And superimposed on
14 this structure map is an isopach map of the Morrow Clastic
15 interval, incorporating a net porosity of greater than or
16 equal to eight percent. And that contour interval has been
17 -- five-foot contour interval has been utilized on that
18 isopach.

19 Q. (By Mr. Carr) Are you ready to move to Exhibit
20 Number 6?

21 A. Yes.

22 Q. Would you identify that, please?

23 A. Exhibit Number 6 is cross-section C-C', which is
24 also identified on figure one on the structure isopach map.
25 And what it does is tie three existing wells, a well in

1 Section 25, a well drilled recently by Mitchell in Section
2 36, and a well drilled previously in Section 31 by Nearburg
3 Producing Company. It ties those -- it's a cross-section of
4 the Morrow sequence, and it shows the relationship of the
5 various sand intervals within the Morrow between those two
6 wells. Also ties the proposed drill site, which is 1980
7 from south, 1650 from east in Section 30.

8 Q. Mr. Elder, from your study of this area, what
9 conclusions have you reached about the risk associated with
10 the proposed well?

11 A. Well, it is a risky area from the point of view
12 that the well in Section 31, the Nearburg East Pearl 31-J
13 Number 1 was drilled and attempted a completion in the
14 Morrow interval. You can see the perforations indicated in
15 the depth margin in red on the cross-section, C-C'. It was
16 determined in those perforations that the Morrow was
17 noncommercial. A well that's not on the cross-section in
18 Section 19 to the north of the proposed drill site, the
19 Nearburg Pearl Number 1, was a reentry well to the Morrow
20 formation. That well was drilled and operated by Clayton
21 Williams. The Morrow formation was production tested in
22 that particular well and also found to be noncommercial.
23 And the proposed drill site is situated between those two
24 wells, making it a fairly risky venture.

25 Q. Are you prepared to make a recommendation to the

1 Examiner as to the risk that should be assessed against
2 those interests who are not voluntarily participating?

3 A. Yes, sir, 200 percent.

4 Q. Do you believe there is any chance that at the
5 proposed location Nearburg could drill a well that wouldn't
6 be a commercial success?

7 A. Yes.

8 Q. In your opinion, will approving this application
9 and imposing the requested risk penalty be in the best
10 interest of conservation, the prevention of waste and the
11 protection of correlative rights?

12 A. Yes, sir.

13 Q. Were Exhibits 5 and 6 prepared by you?

14 A. Yes, they were.

15 MR. CARR: Mr. Stogner, at this time we would move the
16 admission of Nearburg Exhibits 5 and 6.

17 HEARING EXAMINER: Exhibits 5 and 6 will be admitted
18 into evidence.

19 MR. CARR: That concludes my examination of this
20 witness.

21 HEARING EXAMINER: In Exhibit Number 5, Mr. Elder, the
22 well in Section 36, that's the Coyote State Number 1?

23 THE WITNESS: Yes, sir.

24 HEARING EXAMINER: Is that also producing from this
25 pool?

1 THE WITNESS: From the North Osudo Morrow Pool?

2 HEARING EXAMINER: Yeah.

3 THE WITNESS: I'm not knowledgeable as to whether
4 Mitchell included that well in the pool or not. It appears
5 by the footage that it would be within the setbacks from the
6 section lines to accommodate the pool.

7 HEARING EXAMINER: And it would be in that producing
8 interval, wouldn't it?

9 THE WITNESS: From the Morrow formation, correct. That
10 well is currently producing from the Morrow.

11 HEARING EXAMINER: When did it first start producing?

12 THE WITNESS: That well was drilled, I believe, early
13 this spring. It's a fairly new well. It has a very limited
14 production history but appears to be commercial or near
15 commercial.

16 HEARING EXAMINER: You don't know if that well has been
17 spaced on 640, do you?

18 THE WITNESS: No, I don't.

19 HEARING EXAMINER: And your East Pearl 31-J Number 1,
20 that was abandoned when?

21 THE WITNESS: That was also drilled, I believe, about a
22 year ago, maybe a little less. Maybe ten months ago.

23 HEARING EXAMINER: Is your Perla Number 1-19, is that
24 presently producing?

25 THE WITNESS: That well bore is presently producing from

1 the Bone Spring formation.

2 HEARING EXAMINER: Did you test the Morrow?

3 THE WITNESS: Yes, sir, we did. The well was
4 drill-stem tested, or was drilled and drill-stem tested in
5 the Morrow by Clayton Williams, Junior, out of Midland,
6 Texas. He drilled that well all the way to the Devonian
7 formation, which tested to be water bearing, and abandoned
8 the well. And we reentered the well bore and production
9 tested, through perforations, the Morrow formation. And it
10 was determined to be noncommercial.

11 HEARING EXAMINER: So Nearburg took over the well from
12 Mr. Williams?

13 THE WITNESS: No, no. That well was drilled in the
14 sixties and plugged and abandoned. We reentered the well.

15 HEARING EXAMINER: I have no other questions of Mr.
16 Elder. Are there any other questions of this witness? If
17 not, he may be excused.

18 Mr. Carr, do you have anything further?

19 MR. CARR: Nothing further, Mr. Stogner.

20 HEARING EXAMINER: Does anybody have anything further
21 in case number 10355? This case will be taken under
22 advertisement. And let's take a ten-minute recess before we
23 get to the next case.

24 (The foregoing hearing was adjourned at the
25 approximate hour of 11:00 a.m.)

1 STATE OF NEW MEXICO)
2 :
3 COUNTY OF SANTA FE)

4 I, FREDA DONICA, RPR, a Certified Court Reporter, DO
5 HEREBY CERTIFY that I stenographically reported these
6 proceedings before the Oil Conservation Division; and that
7 the foregoing is a true, complete and accurate transcript of
8 the proceedings of said hearing as appears from my
9 stenographic notes so taken and transcribed under my
10 personal supervision.

11 I FURTHER CERTIFY that I am not related to nor employed
12 by any of the parties hereto, and have no interest in the
13 outcome hereof.

14 DATED at Santa Fe, New Mexico, this 16th day of
15 September, 1991.

16 
17 Freda Donica
18 Certified Court Reporter
19 CCR No. 417

20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 10355
23 heard by me on 30 July 1991.
24 , Examiner
25 Oil Conservation Division