

NEW MEXICO OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
STATE OF NEW MEXICO
CASE NO. 10484

IN THE MATTER OF:

The Application of Mewbourne Oil
Company for compulsory pooling and
an unorthodox gas well location,
Eddy County, New Mexico.

BEFORE:

MICHAEL E. STOGNER
Hearing Examiner
State Land Office Building
June 11, 1992

REPORTED BY:

DEBBIE VESTAL
Certified Shorthand Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel

State Land Office Building

Santa Fe, New Mexico 87504

FOR THE APPLICANT:

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BY: **JAMES BRUCE, ESQ.**

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BY: **KAREN AUBREY, ESQ.**

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1 EXAMINER STOGNER: Call the next case,
2 No. 10484.

3 MR. STOVALL: Application of Mewbourne
4 Oil Company for compulsory pooling and an
5 unorthodox gas well location, Eddy County, New
6 Mexico.

7 EXAMINER STOGNER: Call for
8 appearances.

9 MR. BRUCE: Mr. Examiner, my name is
10 Jim Bruce from the Hinkle law firm representing
11 the applicant. I have two witnesses to be sworn.

12 EXAMINER STOGNER: Any other
13 appearances?

14 MS. AUBREY: Karen Aubrey representing
15 Marathon Oil Company. I have no witnesses, Mr.
16 Examiner.

17 EXAMINER STOGNER: Any other
18 appearances in this matter?

19 Would the witnesses, please, stand and
20 be sworn at this time.

21 [The witnesses were duly sworn.]

22 EXAMINER STOGNER: Is there any need
23 for opening remarks, Ms. Aubrey or Mr. Bruce?

24 MR. BRUCE: No.

25 MS. AUBREY: No, I don't have any.

1 EXAMINER STOGNER: You may proceed, Mr.
2 Bruce.

3 D. PAUL HADEN

4 Having been duly sworn upon his oath, was
5 examined and testified as follows:

6 EXAMINATION

7 BY MR. BRUCE:

8 Q. Would you, please, state your name and
9 city of residence for the record?

10 A. My name is Paul Haden. I live in
11 Midland, Texas.

12 Q. And who are you employed by and in what
13 capacity?

14 A. I'm employed by Mewbourne Oil Company
15 as a petroleum landman.

16 Q. And have you previously testified
17 before the Division as a landman?

18 A. Yes, I have.

19 Q. And were your credentials as an expert
20 accepted as a matter of record?

21 A. Yes, they were.

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

24 A. Yes, I am.

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

1 witness as an expert petroleum landman.

2 EXAMINER STOGNER: Mr. Haden is so
3 qualified.

4 Q. (BY MR. BRUCE) Mr. Haden, state
5 briefly, please, what Mewbourne is applying for
6 in this case.

7 A. Mewbourne seeks an order pooling all
8 mineral interests from the surface to the base of
9 the Morrow Formation under the north half of
10 Section 35 in Township 17 South, Range 28 East
11 for all pools, formations spaced on 160 and 320
12 acres. We also are requesting approval of an
13 unorthodox gas well location.

14 Q. And referring to Exhibit No. 1, would
15 you identify that for the Examiner and discuss
16 the locations of your proposed well?

17 A. Exhibit No. 1 is a land plat. Our
18 proposed well location is indicated by a red dot
19 at a location 990 feet from the west line and 915
20 feet from the north line of Section 35 in
21 Township 17 South, Range 28 East. Our proposed
22 spacing unit is shaded in yellow, which is the
23 north half of said Section 35.

24 Q. And the Morrow is the primary target?

25 A. That's correct.

1 Q. And referring to Exhibit No. 2, would
2 you identify the parties that Mewbourne seeks to
3 force pool?

4 A. Mewbourne is seeking to force pool
5 Yates Petroleum Corporation, Marathon Oil
6 Company, and DEKALB Energy Company.

7 Q. And would you, please, describe your
8 efforts to get these parties to join in the well,
9 and I refer you to Exhibit 3.

10 A. Exhibit No. 3 is a copy of my
11 correspondence between the various companies in
12 which we are force pooling. As to DEKALB, our
13 first contact made with them was September 10,
14 1991. That was where we offered to purchase
15 their interest in the spacing unit among other
16 lands. And in May of 92 we again offered to
17 purchase, offered for them to join us, and we
18 requested a farmout in the same letter.

19 As to Marathon, we offered to purchase,
20 farmout, or offered them to join with us on April
21 24 of 92.

22 Regarding Yates Petroleum Corporation,
23 April 24, 1992, again we offered to purchase
24 their interests, farm-in their interests or they
25 could join. Yates has since signed an AFE. We

1 currently are negotiating a joint operating
2 agreement with them.

3 Q. Do you hope that all of these parties
4 will either join in or farmout or sell their
5 interests?

6 A. That's correct. We prefer that they do
7 one of those three things.

8 Q. And will you continue your efforts to
9 do so even after this hearing?

10 A. That's right.

11 Q. In your opinion have you made a good
12 faith effort to obtain the voluntary joinder of
13 these parties?

14 A. I believe I have.

15 Q. Does Mewbourne request that it be named
16 operator of the well?

17 A. That's correct.

18 Q. And referring to Exhibit 4, would you
19 just state for the record the estimated costs of
20 the well?

21 A. Our estimated costs for our Morrow test
22 well is \$444,095. This is for dry hole costs. A
23 completed well is estimated at \$802,400. This is
24 for a 10,600 foot Morrow test well.

25 Q. And is the cost you have just stated in

1 line with those costs normally encountered in
2 drilling wells to this depth in this area?

3 A. That's correct.

4 Q. What penalty do you recommend against
5 the nonconsenting interest owners if they do not
6 join in the well?

7 A. Well costs plus 200 percent.

8 Q. Is that used in your operating
9 agreements in New Mexico?

10 A. That's correct.

11 Q. And will the geologist further discuss
12 the risk penalty?

13 A. Yes, sir, the geologist will discuss
14 the reasonableness of such penalty.

15 Q. Referring to Exhibits 5-A and 5-B,
16 would you, please, discuss the offset operators
17 or lessees with respect to the unorthodox portion
18 of this case?

19 A. Okay. The numbers listed on our map
20 represent track numbers on this other sheet
21 describing the operating rights, the ownership at
22 a depth of 3500 feet.

23 Tract 1, as indicated on this piece of
24 paper, Arco is the operator, south half of
25 Section 35. Other affected operators would be

1 Amoco Production Company in Section 34 as
2 indicated by the No. 2 on the map. Also as to
3 Section 34, affected owners would be Arco, Yates,
4 Marathon, and DEKALB.

5 As to Tract 4, it would be Conoco,
6 Amoco, Yates, Marathon, and DEKALB. As to tract
7 5, SammyDan Oil Corporation. Tract 6 would be
8 MarBob Energy Company. And Tract 7 would be
9 Conoco, Inc., and Fina Oil & Chemical Company.

10 Q. Have any of the offset operators or
11 lessees waived objection to the unorthodox
12 location?

13 A. Yes, they have. I have copies of some
14 waiver letters executed by various companies.

15 Q. Are they submitted as Exhibit 6?

16 A. That is correct.

17 Q. And regarding -- go ahead.

18 A. Those companies who submitted waivers,
19 they are Fina Oil & Chemical Company, MarBob
20 Energy, Amoco Production Company, Arco Oil & Gas
21 Company, SammyDan Oil Corporation, and of course
22 Yates Petroleum Corporation, and Conoco, Inc.

23 Q. And have all interested parties been
24 notified of this application?

25 A. Yes, they have.

1 Q. Is Exhibit 7 your affidavit regarding
2 notice?

3 A. That's correct.

4 Q. What does Mewbourne propose for the
5 overhead administrative charges?

6 A. We are proposing a rate of \$6,425 for
7 well drilling and \$642 for producing.

8 Q. How do these rates compare with those
9 in the annual Ernst & Young survey?

10 A. They are higher.

11 Q. Does Mewbourne think that the Ernst &
12 Young rates are -- that the Ernst & Young rates
13 accurately reflect actual operating rates in this
14 area?

15 A. We don't believe they accurately
16 reflect the operating rights -- I mean operating
17 rates. Excuse me.

18 Q. Okay. Let's go into that in a little
19 more detail. Mr. Haden, first off, in what area
20 does Mewbourne Oil operate in New Mexico?

21 A. We operate in southeast New Mexico,
22 more specifically as to -- in the immediate area
23 we operate in Townships 17 through 20 and Ranges
24 26 through 30.

25 Q. 17 through 20 South and 26 through 30

1 East?

2 A. Yes, that's correct.

3 Q. And how many Pennsylvanian age wells
4 does Mewbourne have in this area?

5 A. Currently we operate approximately 20
6 Pennsylvanian wells.

7 Q. Those are producing wells?

8 A. Those are producing in the immediate
9 area.

10 Q. Does it participate in any others as a
11 nonoperator?

12 A. Yes, we do. We participate in the
13 immediate area in two wells in the same
14 formation.

15 Q. Has it drilled any others which are dry
16 holes or which are currently inactive?

17 A. Yes. We have drilled an additional
18 seven wells in this immediate area.

19 Q. For the period -- let's narrow it down
20 to the period in the more recent past. 1989 to
21 1992 how many wells were drilled or are you
22 operating?

23 A. We drilled 19 Pennsylvanian wells in
24 this immediate area.

25 Q. Okay. And as an aside, how many total

1 wells do you have in New Mexico?

2 A. In New Mexico we operate 92 oil and gas
3 wells.

4 Q. And company-wide how many wells?

5 A. In excess of 350.

6 Q. Now, on the Pennsylvanian age wells in
7 this immediate area, the 17 through 20 South and
8 26 through 30 East, what are your average
9 operating costs under operating agreements on the
10 wells Mewbourne operates for the period 89 to
11 date?

12 A. Those costs represent \$6,350 for well
13 drilling and \$621 for producing wells.

14 Q. And what about the operating costs
15 under for the two wells in which Mewbourne
16 participates but does not operate?

17 A. Those rates are \$5,984 for drilling and
18 \$632.32 for producing well rates.

19 Q. What is the depth of most of the wells
20 that Mewbourne drills?

21 A. They're averaged from 9- to 12,000
22 feet.

23 Q. Now, if you're looking at 10,000,
24 15,000 feet wells, what are the current operating
25 rates set out in the Ernst & Young survey?

1 A. Currently those rates are \$5,105 for a
2 drilling well and \$526 for a producing well.

3 Q. Why does Mewbourne think these rates
4 are inappropriate or too low?

5 A. These rates continually have gone down
6 in the last few years. We suspect the reason for
7 this is there's a lot of people who have been put
8 out of the business, and we feel that we need
9 these rates in which to continue to operate and
10 to make money in New Mexico.

11 Q. Okay. Now, in 1989 the Ernst & Young
12 rates for drilling a well was \$6,134, wasn't it?

13 A. That's correct.

14 Q. Do you think that the rate has dropped
15 approximately a thousand dollars in the last two
16 years?

17 A. No. Like everything, everything goes
18 up. It does not drop.

19 Q. Now, have you had many problems in your
20 operating agreements, the wells that you've
21 operated, have you had many disagreements with
22 any of the nonoperators over the rates you have
23 previously discussed?

24 A. Overall, no, we haven't.

25 Q. Do you request for the OCD to approve

1 the rates requested by you, the \$6,300-plus and
2 \$642 rates?

3 A. Yes, we do.

4 Q. Of course, Mr. Haden, you recognize the
5 authority of the OCD to set the overhead rates,
6 don't you?

7 A. Yes, I certainly do.

8 Q. But in your opinion is the strict
9 adherence of the Ernst & Young survey, do you
10 believe that's fair to the operators?

11 A. We do not believe such rates are in
12 reality true as to the rates. They just don't
13 match with what it really costs.

14 Q. And on the survey you can't really tell
15 who responded and how many wells the respondees
16 operate, et cetera, can you?

17 A. No, you can't. However, on the overall
18 response rate basis, only 7 percent responded.
19 Of those 7 percent, 90 percent of those were --
20 95 percent were independents with assets of less
21 than \$50 million. Also 86 percent of those 7
22 percent of response represent companies who
23 operate wells -- less than 100 wells.

24 Q. And those figures you got, do they come
25 from the survey itself?

1 A. That's correct.

2 Q. Now, regardless of what rates are
3 authorized by the OCD, do you request that there
4 be an escalation provision or that you be allowed
5 to escalate the rates if indeed the forced
6 pooling order -- if you don't come to terms with
7 any of these three companies?

8 A. Yes, we do request such escalation as
9 this escalation does occur in joint operating
10 agreements under the COPAS accounting procedures.

11 Q. And you would request the standard
12 escalation as provided for in the COPAS
13 procedure?

14 A. That's correct.

15 Q. In your opinion is the granting of this
16 application in the interests of conservation, the
17 prevention of waste, and the protection of
18 correlative rights?

19 A. Yes, that's correct.

20 Q. And were Exhibits 1 through 7 prepared
21 by you or under your direction?

22 A. That's also correct.

23 MR. BRUCE: Mr. Examiner, I move for
24 the admission of Exhibits 1 through 7.

25 EXAMINER STOGNER: Are there any

1 objections?

2 MS. AUBREY: No objection.

3 EXAMINER STOGNER: Exhibits 1 through 7
4 will be admitted into evidence.

5 EXAMINER STOGNER: Are you through with
6 your direct?

7 MR. BRUCE: Yes, I am through.

8 MS. AUBREY: I have no questions.

9 EXAMINATION

10 BY EXAMINER STOGNER:

11 Q. It's been a while since I've included
12 an escalation rate according to the COPAS. Could
13 you briefly describe that to me and maybe even
14 provide me a copy at a later date?

15 A. Yes, we could give you a copy of this.

16 MR. STOVALL: Let me ask, just to get
17 it in the record, specifically which version of
18 the COPAS agreement are you referring to?

19 MR. BRUCE: Mr. Stovall, before he
20 testifies, Mr. Padilla just said that in the next
21 case he will introduce a copy of the COPAS
22 procedure. So we will submit one for this
23 Examiner hearing if you also would like.

24 MR. STOVALL: Why don't we get it
25 marked so we have a record complete in this case

1 since I doubt if we'll incorporate the record.
2 If we can get a copy marked so we always know
3 that we're referring to the same one.

4 MR. BRUCE: I'll steal one from Mr.
5 Padilla.

6 MR. STOVALL: You can go ahead and
7 answer the Examiner's questions and describe the
8 rates.

9 THE WITNESS: Okay. This is the 1984
10 on-shore COPAS Accounting Procedure for Joint
11 Operations. Under Article III of said procedure,
12 it has "Overhead," and you check whether it's on
13 a fixed rate basis or a percentage basis. Most
14 operators check it being fixed rate basis.

15 In the same Article I, under Article
16 I(A), No. 3, this agreement provides for annual
17 escalation. It states, and I'll read it, "The
18 well rates shall be adjusted as of the first day
19 of April each year following the effective date
20 of the agreement to which this accounting
21 procedure is attached.

22 "The adjustment shall be computed by
23 multiplying the rate currently in use by the
24 percentage increase or decrease and the average
25 weekly earnings of crude petroleum and gas

1 production workers for the last calendar year
2 compared to the calendar year preceding as shown
3 by the index of average weekly earnings of crude
4 petroleum and gas production workers as published
5 by the United States Department of Labor, Bureau
6 of Labor Statistics, or the equivalent Canadian
7 index as published by Statistics Canada as
8 applicable. The adjusted rate shall be the rates
9 currently in use plus or minus the computed
10 adjustment."

11 MR. STOVALL: You've now marked that
12 as --

13 MR. BRUCE: Exhibit 7-A. And I would
14 move the admission of that Exhibit 7-A.

15 EXAMINER STOGNER: Are there any
16 objections?

17 MS. AUBREY: I have no objection.

18 EXAMINER STOGNER: Exhibit 7-A will be
19 admitted into evidence. Do you have any
20 questions pursuant to 7-A?

21 MS. AUBREY: No, Mr. Stogner.

22 Q. (BY EXAMINER STOGNER) Let's go back to
23 that. I want to make sure I have the overhead
24 charges you are requesting. That's \$6,425 for
25 drilling?

1 A. That's correct.

2 Q. \$642 for producing?

3 A. That's correct.

4 Q. I heard several figures of some wells
5 that Mewbourne is participating in. I believe
6 \$6,200, that figure; is that correct?

7 A. The average is \$6,350 for drilling and
8 producing is \$621. Under operating agreements
9 that we are not the operator, those rates are
10 \$5,984 and \$632.32 for producing wells.

11 Q. And those are for wells that Mewbourne
12 is operating?

13 MR. STOVALL: That last set was
14 Mewbourne not operating.

15 THE WITNESS: Not operating.

16 MR. STOVALL: First set was Mewbourne
17 operating; right?

18 THE WITNESS: Right.

19 Q. (BY EXAMINER STOGNER) Now, there's
20 some discrepancy even right there.

21 A. These overhead rates, the reason we
22 understand that they are -- they seem to be high,
23 but we have a number of employees; we have a few
24 geological staff; we have a full engineering
25 staff; we have a full land staff along with all

1 of our production people, drilling people,
2 offices, pipe yards, equipment, office
3 equipment. All this comes into effect for paying
4 for all of these things.

5 Q. And the figure for the not-operating,
6 and I believe you said two wells; is that
7 correct?

8 A. Right, in the immediate area.

9 Q. In the immediate area. And this
10 figure, this \$5,984 figure --

11 A. Right.

12 Q. -- reflects the immediate area; is that
13 correct?

14 A. That's correct.

15 Q. Now, would you say those operators
16 differ somewhat from Mewbourne inasmuch as they
17 do not have a full staff?

18 A. That's what -- yeah, that is correct.
19 They employ a lot of contract people. They do
20 not have the full staff that we have. We are
21 interested in quality control, having a handle on
22 our production and drilling operations.

23 Q. In looking at your Exhibit No. 3, this
24 is the correspondence. I believe I understood
25 you to say that DEKALB was contacted in September

1 of 91?

2 A. That's right. Right now apparently
3 they are in the process of selling their US
4 operations. Now, we've tried to purchase their
5 interests. We've tried to farm their interests
6 in or they could join. Right now I've talked to
7 their landman, John Gire. He says they're just a
8 lame duck right now. They cannot do anything
9 right now. They are negotiating with different
10 companies to sell their company.

11 EXMINATION

12 BY MR. STOVALL:

13 Q. Mr. Haden, on a follow-up to that, you
14 have recently been in to force pool DEKALB and
15 some other wells; is that correct?

16 A. That's the same situation; however, in
17 that particular case they did give us an
18 assignment of their rights. We did purchase
19 their interest there. That was prior to them
20 negotiating with some other companies as to the
21 sale of their operations.

22 Q. But that was --

23 A. That was in Section 26 of 19 South,
24 Range 27 East. They own an interest in the
25 northeast quarter of that section. I suspect

1 that they will come to some sort of agreement
2 with us in lieu of being forced pooled. The
3 landman has told me, "Do what you have to do."

4 EXAMINER STOGNER: Any other questions
5 of Mr. Haden? If not, he may be excused.

6 Mr. Bruce.

7 MR. BRUCE: Call Mr. Harmon to the
8 stand.

9 DEXTER L. HARMON

10 Having been duly sworn upon his oath, was
11 examined and testified as follows:

12 EXAMINATION

13 BY MR. BRUCE:

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

16 A. My name is Dexter Harmon.

17 Q. And where do you reside?

18 A. Midland, Texas.

19 Q. And what is your occupation, and who is
20 your employer?

21 A. I'm district geologist for Mewbourne
22 Oil Company.

23 Q. Have you previously testified before
24 the Division and had your credentials as a
25 petroleum geologist accepted as a matter of

1 record?

2 A. Yes, I have.

3 Q. And are you familiar with the geology
4 involved in this proposed well?

5 A. Yes, I am.

6 MR. BRUCE: Mr. Examiner, I tender Mr.
7 Harmon as an expert petroleum geologist.

8 EXAMINER STOGNER: Are there any
9 objections?

10 MS. AUBREY: No objections.

11 EXAMINER STOGNER: Mr. Harmon is so
12 qualified.

13 Q. (BY MR. BRUCE) Mr. Harmon, would you,
14 please, summarize the basis for the unorthodox
15 locations?

16 A. Mewbourne Oil Company finds it
17 necessary to apply for and receive an unorthodox
18 location to drill a 10,600 foot Morrow test on
19 its Diamond A Ranch prospect located in Section
20 35, 17 South, 28 East, Eddy County, New Mexico.

21 The location 990 from the west nearest
22 end boundary and 915 feet from the north line
23 near a side boundary would give Mewbourne Oil
24 Company a reasonable opportunity to encounter a
25 net thickness of Morrow sand sufficient to make

1 an economic well.

2 The original proposed location at 990
3 from the north line and 990 from the west line
4 was moved north because of an Amoco crude oil
5 pipeline, Phillips 66 natural gas pipeline, and a
6 large caliche pit to the south.

7 Q. Would you, please, refer to Exhibit No.
8 8 and discuss what your target formation is?

9 A. Exhibit No. 8 is a production study of
10 the deeper producing horizons in this area. It
11 encompasses 12 sections surrounding the proposed
12 location. In these twelve sections there have
13 been 19 Morrow penetrations. Of those 19, 12
14 were producers. Of the 12 producers, 8 were
15 economic wells and several of them were very good
16 wells, I might add.

17 You can see from this production study
18 that there are no Morrow wells to the north or
19 west of our proposed locations, but there are 6
20 penetrations in that direction. And the map also
21 has a line of cross-section that we'll review
22 later, G to G prime, going from the northwest to
23 southeast part of the map.

24 Our proration unit is outlined in
25 yellow. It's the north half of Section 35. And

1 our proposed location is an open circle spotted
2 915 feet from the north line and 990 feet from
3 the west line.

4 Q. There is one well over in Section 34;
5 when was that drilled?

6 A. That well was drilled by Pacific
7 Enterprises in October of 1990. It's a recent
8 Morrow test. It was a dry hole.

9 Q. Do you know of any other unorthodox
10 locations on the map?

11 A. We can look at the map and identify
12 five probable unorthodox locations on the map,
13 two in Section 24, one in the northeast corner of
14 Section 36 on the southern part of the map, one
15 in the southeast quarter of Section 1 and the
16 southeast quarter of Section 2.

17 Q. Thank you. Would you move on to
18 Exhibit No. 9 now and discuss its contents for
19 the Examiner.

20 A. Exhibit No. 9 is a stratigraphic
21 Atoka-Morrow cross-section, G to G prime. It's
22 constructed from the northwest to southeast
23 through the area. It's constructed beyond the
24 strike with most of the sand deposits in this
25 area.

1 Each individual Morrow sand in the area
2 has been broken out and given a color name for
3 identification and mapping purposes. Below each
4 log on the cross-section is a scout ticket and a
5 Dwight's production data for the well.
6 Perforations are colored in yellow in the center
7 depth column of each log. And drill stem testing
8 intervals are also marked on the center column on
9 each log.

10 Q. What do you think is the minimum
11 thickness of net sand which you need in order to
12 get a decent well?

13 A. We feel a minimum thickness of 10 foot
14 of net porous sand is needed to obtain a
15 commercial well in this area. As you'll see on
16 the enclosed structure and isopach maps, a
17 standard location will not provide that for us.
18 Hondo Oil & Gas tried 8 foot of porous lower
19 Morrow sand in its No. 1 State "CC" well in
20 Section 26 and found it to be noncommercial. You
21 can find that well on cross-section G to G
22 prime.

23 The geologic map will support
24 Mewbourne's view that this unorthodox location is
25 reasonable and necessary to give us the

1 opportunity to get 10 foot of sand.

2 Q. Would you, please, move on then to your
3 mapping, and I refer you to Exhibit 10, and
4 discuss the primary objective in this area?

5 A. Exhibit 10 is a structure map based on
6 the top of the Lower Morrow and also an isopach
7 of the net porosity of the Lower Morrow brown
8 sand. This brown sand map is our primary
9 objective.

10 On the map you can see three numbers
11 beside each well symbol of subsea of the Lower
12 Morrow, the net density porosity greater than 7
13 percent in the brown sand and the over-the-gross
14 sand interval.

15 You can see that in our proposed
16 location area dip is to the southeast at the rate
17 of about 300 foot per mile.

18 Q. Okay. And would you, please, move on
19 to Exhibit 11 and discuss its contents?

20 A. Exhibit 11 is an isopach map of the net
21 porosity in the Middle Morrow green sand. This
22 is a secondary objective in our well. And you
23 can see by the map that we have a shot at getting
24 10 foot of this sand also at the proposed
25 location.

1 Q. Okay. In your opinion what penalty
2 should be granted against any party who goes
3 nonconsent under the compulsory pooling order?

4 A. Mewbourne recommends cost plus 200
5 percent.

6 Q. Were Exhibits 8 through 11 prepared by
7 you or under your direction?

8 A. They were.

9 Q. And in your opinion is the granting of
10 this application in the interests of conservation
11 and the prevention of waste?

12 A. It is.

13 MR. BRUCE: Mr. Examiner, I tender
14 Exhibits 8 through 11.

15 EXAMINER STOGNER: Are there any
16 objections?

17 MS. AUBREY: No objections.

18 EXAMINER STOGNER: Exhibits 8 through
19 11 will be admitted into evidence at this time.

20 Ms. Aubrey, your witness.

21 MS. AUBREY: I have no questions, Mr.
22 Stogner.

23 EXAMINER STOGNER: Thank you, Ms.
24 Aubrey.

25 EXAMINATION

1 BY EXAMINER STOGNER:

2 Q. Now, you show an orange zone. I'm now
3 referring to Exhibit No. 9, the cross-section in
4 which you have color-coded what you feel to be
5 the appropriate Morrow producing intervals, I
6 would assume, being the Middle Morrow green sand,
7 which is color-coded green. Then you have the
8 next one -- well, you seem to skip an area and
9 then go down into what is marked as an orange.

10 Now, in your cross-section, the State
11 "CC" Well No. 1 is perforated in that interval
12 as is the Hondo. Is that the same well log?

13 A. It appears to be.

14 Q. One is a condensate neutron, the other
15 one is a pool lateral log. Is that a producing
16 interval, do you feel, or --

17 A. The Hondo State "CC" well was
18 perforated in the orange, brown, and yellow, and
19 it was noncommercial. That's a dry hole. That
20 well is produced out of the Atoka, which is
21 colored in purple at the top of the
22 cross-section. And it's made 488 million cubic
23 feet of gas in five years.

24 Q. Are you proposing to test this yellow
25 and orange zone in your wellbore?

1 A. You know, we'll drill through these,
2 and hopefully we'll hit them. The yellow is
3 pretty much noncommercial in this area. The
4 orange well looks good on the log in Section 2 on
5 the cross-section to us. But it hasn't been
6 perforated, it likes like, behind pipe in that
7 well.

8 And it also produced up in the
9 northeast corner of Section 24, and that's the
10 only two places it's been perforated in the
11 area.

12 EXAMINER STOGNER: Are there any other
13 questions of this witness? He may be excused.

14 Anything further?

15 MR. BRUCE: Nothing further, Mr.
16 Examiner.

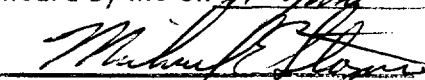
17 EXAMINER STOGNER: Ms. Aubrey, do you
18 have anything?

19 MS. AUBREY: No.

20 EXAMINER STOGNER: Does anybody else
21 have anything to offer in Case 10484? If not,
22 this case will be taken under advisement.

23 [And the proceedings were adjourned.]

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
 the Examiner hearing of Case No. 10484,
 heard by me on 11 June 1992.


Michael K. Stogner, Examiner
Oil Conservation Division


1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
COUNTY OF SANTA FE)

5
6 I, Debbie Vestal, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that
8 the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me;
10 that I caused my notes to be transcribed under my
11 personal supervision; and that the foregoing is a
12 true and accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a
14 relative or employee of any of the parties or
15 attorneys involved in this matter and that I have
16 no personal interest in the final disposition of
17 this matter.

18 WITNESS MY HAND AND SEAL JUNE 19, 1992.
19
20

21 
22 _____
23 DEBBIE VESTAL, RPR
24 NEW MEXICO CSR NO. 3
25