

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date JANUARY 21, 1993 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Maurice Trimmer	RW Bryan Co.	Midland
Dexter Harmon	MEUBOURNE OIL Co	"
Ken Warts	" "	"
P. Hoda	" "	"
Steve Lister	" "	"
Tom Orr	Campbell, Orr, Fong & Elwood	Santa Fe
Seal, Calvin	Stratton & Calvin	Alb
James Bruce	Hinkle Law Firm	SF
W. J. Kellahan	Kellahan Kellahan	Santa Fe
Steve Smith	Michael Evans Corp.	Midland
Mark Stephenson	" " "	Horstok
Carl Rickard	" " "	"
Jed Hawloski	" " "	Midland
Mark B. Murphy	Strata Production Co.	Roswell
George L. Scott Jr	Strata Production Co	Roswell
Arlen Williams	NM Dept of Finance & Admin	Santa Fe

NEW MEXICO OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

STATE OF NEW MEXICO

Docket No. 3-93

Case No. 10635

IN THE MATTER OF:

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

BEFORE:

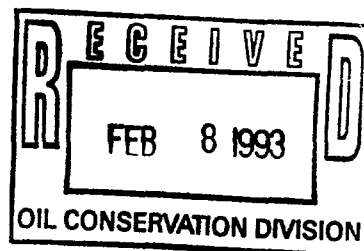
EXAMINER MICHAEL E. STOGNER

January 21, 1993

REPORTED BY:

ORIGINAL

DEBORAH O'BINE
Certified Shorthand Reporter
for the State of New Mexico



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 87504-2088

FOR MEWBOURNE OIL COMPANY:

HINKLE, COX, EATON, COFFIELD & HENSLEY

500 Marquette Avenue, NW

Albuquerque, New Mexico

BY: JAMES G. BRUCE ESQ.

FOR DEVON ENERGY CORPORATION:

CAMPBELL, CARR, BERGE & SHERIDAN

110 N. Guadalupe

Santa Fe, New Mexico 87501

BY: WILLIAM F. CARR, ESQ.

FOR LOUIS DREYFUSS NATURAL GAS CORPORATION:

KELLAHIN & KELLAHIN

117 N. Guadalupe

Santa Fe, New Mexico 87501

BY: W. THOMAS KELLAHIN, ESQ.

I N D E X

	Page Number
Appearances	2
WITNESSES FOR MEWBOURNE OIL COMPANY:	
1. <u>PAUL HADEN</u>	
Examination by Mr. Bruce	4
Examination by Examiner Stogner	14
2. <u>DEXTER HARMON</u>	
Examination by Mr. Bruce	18
Examination by Examiner Stogner	25
Certificate of Reporter	32

E X H I B I T S

	Page Referenced
MEWBOURNE OIL COMPANY:	
Exhibit No. 1	7
Exhibit No. 2	7
Exhibit No 2-A	7
Exhibit No. 3	8
Exhibit No. 4	8
Exhibit No. 5	11
Exhibit No. 5-A	11
Exhibit No. 5-B	11
Exhibit No. 6	11
Exhibit No. 7	19
Exhibit No. 8	21
Exhibit No. 9	22
Exhibit No. 10	23
Exhibit No. 11	23
Exhibit No. 12	23

1 EXAMINER STOGNER: This hearing will come
2 to order for Docket No. 3-93. My name is Michael E.
3 Stogner, appointed Hearing Examiner for today's
4 cases. Please note today's date, Thursday, January
5 21, 1993. I'll call first case, No. 10635.

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

9 EXAMINER STOGNER: Call for appearances.

10 MR. BRUCE: Mr. Examiner, my name is Jim
11 Bruce from the Hinkle Law Firm in Santa Fe
12 representing the Applicant. I have two witnesses to
13 be sworn.

14 EXAMINER STOGNER: Are there any other
15 appearances in this matter?

16 MR. CARR: May it please the Examiner, my
17 name is William F. Carr with the Santa Fe law firm of
18 Campbell, Carr, Berge & Sheridan. I'd like to enter
19 my appearance in this case for Devon Energy
20 Corporation. I do not intend to call a witness.

21 EXAMINER STOGNER: Any other appearances?

22 MR. KELLAHIN: Mr. Examiner, I'm Tom
23 Kellahin of the Santa Fe law firm of Kellahin &
24 Kellahin appearing today on behalf of Louis Dreyfuss
25 Natural Gas Corporation.

1 EXAMINER STOGNER: Do you have any
2 witnesses?

3 MR. KELLAHIN: No, sir.

4 EXAMINER STOGNER: Any other appearances?
5 Will the witnesses please stand and be
6 sworn.

7 (Thereupon, the witnesses were sworn.)

8 EXAMINER STOGNER: Mr. Bruce?

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

12 EXAMINATION

13 BY MR. BRUCE:

14 Q. Will you please state your name and city of
15 residence?

16 A. My name is Paul Haden. I live in Midland,
17 Texas.

18 Q. And what is your occupation, and who are
19 you employed by?

20 A. I'm a petroleum landman. I'm employed by
21 Mewbourne Oil Company.

22 Q. Have you previously testified before the
23 Division as a petroleum landman and had your
24 credentials accepted as a matter of record?

25 A. Yes, I have.

1 Q. Are you familiar with the land matters
2 involved in this case?

3 A. Yes, I am.

4 MR. BRUCE: Mr. Examiner, I tender Mr.
5 Haden as an expert landman.

6 EXAMINER STOGNER: Mr. Haden is so
7 qualified.

8 Q. (BY MR. BRUCE) Briefly, Mr. Haden, what
9 does Mewbourne seek in this case?

10 A. Mewbourne seeks an order pooling all
11 mineral interests from 500 feet beneath the top of the
12 San Andres formation to the base of the Morrow
13 formation, underlying the east half of Section 15 of
14 Township 18 South, Range 28 East. This is for all
15 pools or formations based on 40 acres as to the
16 northwest of the southeast quarter, 80 acres as to the
17 west half of the southeast quarter, and 160 acres as
18 to the southeast quarter, and, of course, 320 acres
19 for the east half.

20 Mewbourne also requests approval of an
21 unorthodox gas well location for geological reasons.

22 MR. BRUCE: Mr. Examiner, the advertisement
23 for the case actually said from the base of the San
24 Andres formation to the base of the Morrow. We would
25 like to amend it to read from 500 feet below the top

1 of the San Andres formation. We will obviously need
2 to readvertise for the February 18 hearing, and we
3 will renotify everyone.

4 EXAMINER STOGNER: Okay, that's 500 feet
5 below the top of the San Andres formation?

6 THE WITNESS: Top.

7 Q. (BY MR. BRUCE) Mr. Haden, referring to
8 Exhibit 2 -- or, excuse me, Exhibit 1, what is the
9 location of Mewbourne's proposed well?

10 A. The location, as indicated on Exhibit 1, is
11 indicated in pink. That location is 1,980 feet from
12 the east line, 1,500 feet from the south line of said
13 Section 15. The east half of 15 is shaded in yellow
14 which indicates the spacing unit.

15 Q. Is Exhibit 2 a listing of offsets,
16 operators, or lessees?

17 A. Yes, that's correct.

18 Q. And Exhibit 2-A identifies the tracts that
19 are referred to on Exhibit 2?

20 A. That's also correct.

21 Q. And were all those parties notified?

22 A. Yes, they were all notified, certified
23 mail.

24 Q. And the poolees or the people you seek to
25 pool were also notified; is that correct?

1 A. Yes, that's correct.

2 Q. And is Exhibit 3 your affidavit regarding
3 notice given to the offset interest owners as well as
4 the people being pooled?

5 A. Yes, that's also correct. It also includes
6 waivers given by Marathon Oil Company, Devon Energy
7 Corporation, and Exxon Corporation as to our
8 unorthodox location.

9 Q. Exhibit 3 contains a notice letter to
10 Marathon regarding pooling. Do you seek to pool
11 Marathon?

12 A. No, we do not.

13 Q. Moving on to Exhibit 4, who are the people
14 that Mewbourne seeks to force pool?

15 A. Mewbourne seeks to pool Louis Dreyfuss
16 Natural Gas Corporation and Devon Energy Corporation.

17 Q. On Exhibit 4 there was Marathon listed.
18 You have since come to terms with Marathon; is that
19 correct?

20 A. Yes, we have. We control Marathon's
21 interest currently.

22 Q. Would you please describe your efforts to
23 obtain the voluntary joinder of Louis Dreyfuss and
24 Devon Energy?

25 A. Let's start with Louis Dreyfuss. We first

1 wrote to DeKalb Energy, who is Dreyfuss's predecessor
2 in title. We did this on September 10, 1991, seeking
3 to purchase their interest. At that time, DeKalb was
4 not interested in selling but was interested in a
5 multi-well drilling program.

6 Since such dates, we've contacted them
7 September 20, '91; 11-20-91; 11-25-91; 4-28-92;
8 5-19-92; 5-20-92; October 30, '92; November 11, '92;
9 December 1, '92; December 23, '92; January 5, '93;
10 January 15, '93; and January 18, '93. Also, our last
11 contact with Dreyfuss was January 19, '93.

12 Q. And that was either -- the dates you have
13 given were for either letters or phone calls; is that
14 correct?

15 A. That's correct.

16 Q. That was not only to DeKalb but to Louis
17 Dreyfuss; is that correct?

18 A. Yes, that's correct.

19 Q. And there was a period when there was no
20 contacts in the middle of last year. Was that the
21 period you indicated where the sale was proceeding?

22 A. That's when DeKalb was not in a position to
23 negotiate anything. They apparently were reaching
24 their agreement with Louis Dreyfuss. Neither party
25 could negotiate at that time because of the sale of

1 the DeKalb interest to Dreyfuss.

2 Q. What is the result of the last contact you
3 have had with Dreyfuss? What did they indicate that
4 their position would be?

5 A. They indicated that they would probably
6 join with us, that they were not interested in farming
7 out, and also that they would not protest our hearing.

8 Q. Let's move on to Devon Energy. Could you
9 outline your contacts with Devon over the past years?

10 A. Again, this is a situation where it
11 involved a sale of assets from one company to the
12 other, being Hondo Oil and Gas Company to Devon Energy
13 Company.

14 Let's just start with the contacts made
15 only with Devon as to our well proposal. On October
16 13, '92, by letter we requested Devon to farm out,
17 sell, or join, and we submitted an AFE. There have
18 been subsequent conversations either by phone or
19 written as to the following dates: October 29, '92;
20 October 30, 1992; again October 30, '92; November 11,
21 '92; December 7, '92; December 16, '92; December 18,
22 '92; January 13, '93.

23 Q. What was your last contact with Devon, and
24 what is their current position?

25 A. The very last contact was on January 18,

1 '93. It was a phone conversation with Keith Brewer,
2 a landman with Devon. We advised them we were
3 offering the same deal that we gave Marathon. He was
4 to get back with me. I haven't heard back from him.

5 Q. And are Exhibits 5, 5-A and 5-B copies of
6 your correspondence or your telephone notes with Devon
7 or Louis Dreyfuss?

8 A. That's correct.

9 Q. In your opinion, have you made a good faith
10 effort to obtain the voluntary joinder of these
11 persons?

12 A. I believe I have.

13 Q. Does Mewbourne request that it be named
14 operator of the well?

15 A. Yes, sir, that's correct.

16 Q. What is the working interest that Mewbourne
17 currently has in the well?

18 A. Mewbourne currently has 75.261 percent of
19 the spacing unit.

20 EXAMINER STOGNER: Which spacing unit?

21 THE WITNESS: East half, Section 15.

22 Q. (BY MR. BRUCE) Would you please refer to
23 Exhibit 6 and discuss the costs of the proposed well?

24 A. Exhibit No. 6 is an Authorization for
25 Expenditure. This is for our proposed Turkey Track 15

1 State #2 Well. This AFE is dated October 27, '92. It
2 describes the costs associated with their well. At
3 the casing point we estimate \$429,908. For a
4 completed well, we were estimating \$766,673. This is
5 for an 11,000-foot well.

6 Q. Is this proposed well cost in line with
7 those normally encountered in drilling wells to this
8 depth in this part of Eddy County?

9 A. That is correct.

10 Q. Do you have a recommendation as to the
11 amounts which Mewbourne should be paid for supervision
12 and administrative charges?

13 A. We are recommending \$6,167 per month be
14 allowed for a drilling well. And \$626.50 per month be
15 allowed for a producing well. These are the rates
16 approved for the Turkey Track 15 State #1 well located
17 adjacent to this proposed well. This was case No.
18 10485. That order issued was No. R-9688.

19 Q. Do you also request that any operating
20 charges be escalated annually?

21 A. Yes, we also request that these operating
22 charges be escalated annually.

23 Q. And similar to the procedure that was
24 authorized in Order No. R-9700?

25 A. That's correct.

1 Q. Are these operating charges you have just
2 recommended in line with those normally charged by
3 Mewbourne and other operators in Eddy County?

4 A. We believe that to be correct.

5 Q. And what penalty do you recommend against
6 any nonconsenting interest owners?

7 A. We are recommending well costs plus 200
8 percent.

9 Q. And will the geologists further discuss
10 this matter?

11 A. Yes, they will.

12 Q. In your opinion, is the granting of this
13 application in the interests of conservation and the
14 prevention of waste?

15 A. Yes, it is.

16 Q. Were Exhibits 1 through 6 prepared by you
17 or compiled from company records?

18 A. By me or under my direction.

19 MR. BRUCE: At this time, Mr. Examiner, I
20 move the admission of Exhibits 1 through 6.

21 EXAMINER STOGNER: Are there any
22 objections?

23 MR. KELLAHIN: No objections.

24 EXAMINER STOGNER: Exhibits 1 through 6
25 will be admitted into evidence.

1 Mr. Carr, do you have any questions of this
2 witness?

3 MR. CARR: No questions, Mr. Examiner.

4 EXAMINER STOGNER: Mr. Kellahin?

5 MR. KELLAHIN: No, sir

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. Mr. Haden, you requested an escalating
9 charge pursuant to R-9700. Forgive me, I just don't
10 remember that one off the top of my head. Could you
11 further explain what those escalating charges are?

12 A. Okay. This Order, again, R-9700, it's Case
13 No. 10501. This order was issued August 6, '92. This
14 had to do with a well which we proposed in the south
15 half of Section 23 of Township 19 South, Range 27
16 East. We requested those escalation charges under the
17 terms of the operating agreement under the COPAS
18 procedure, accounting procedure.

19 Q. Well, explain them to me.

20 A. On an annual rate basis, I believe it's on
21 or about April 1 every year, those charges are
22 increased or decreased annually, depending on the
23 charges according to the Index of Average Weekly
24 Earnings of Crude Petroleum and Gas Production
25 Workers, as published by the United States Department

1 of Labor, Bureau of Labor Statistics, etc. This is
2 under the ordering paragraph No. 10 of said order.

3 Again, this provides that such wells will
4 be adjusted on the first day of April of each year
5 following the effective date of the order; that the
6 adjustment shall be computed by multiplying the rate
7 currently in use by the percentage increase or
8 decrease in the average weekly earnings of crude
9 petroleum and gas production workers for the last
10 calendar year compared to the preceding calendar year,
11 as shown by the Index of Average Weekly Earnings of
12 Crude Petroleum and Gas Production Workers, which is
13 published, again, by the United States Department of
14 Labor, Bureau of Labor Statistics.

15 And the adjusted rate shall be the rates
16 currently in use plus or minus the computed
17 adjustment. This order provided that we were
18 authorized to withhold from production proportionate
19 share of such supervision charges attributable to each
20 nonconsenting working interest.

21 Q. And under that, would Mewbourne submit for
22 the record in this case every year what those charges
23 are and what those escalations are so the record will
24 be kept as a whole?

25 A. Yes, sir, we could do that.

1 Q. I haven't had time to sit down and draw out
2 your Exhibit No. 4 which lays out within the east half
3 the various interests as they appear in the east half,
4 being either divided or undivided. It depends on
5 where exactly at in the east half you are?

6 A. Right.

7 Q. Are all proration units requested today, is
8 there at least one of the parties to be force pooled
9 represented in each one of those, what, four proration
10 units you're requesting? Like I said, I haven't drawn
11 it out, but I'm sure that you have and that you know
12 this.

13 A. Yes, that's correct, our drill site does
14 involve these parties. I'm talking about the actual
15 40-acre tract and all the others.

16 MR. STOVALL: Where's the drill site? You
17 said that.

18 THE WITNESS: It's in the northwest, the
19 southeast quarter. If you look on my Exhibit No. 4,
20 under the first set of ownerships, I have the north
21 half southeast and then the north half northeast. I
22 have Mewbourne Oil, Louis Dreyfuss. Excuse me,
23 apparently Devon Energy is in the southeast of the
24 northeast quarter. That's where their interest is
25 derived wherein they have 50 percent interest in the

1 48 tract.

2 EXAMINER STOGNER: You said the southeast
3 of the northeast is where Devon's is?

4 THE WITNESS: Devon's interest is in the
5 southeast-northeast quarter.

6 MR. STOVALL: In other words, they wouldn't
7 be in the 320?

8 THE WITNESS: They are in the 320.

9 MR. STOVALL: Right, but as far as smaller
10 spacing units, they would not be in anything?

11 THE WITNESS: Right.

12 MR. STOVALL: Because the rest of them
13 would be in the northeast quarter.

14 THE WITNESS: That's correct.

15 You also note that I have Marathon Oil
16 Company in this exhibit as being uncommitted. They
17 have since committed their interest to us. That was
18 yesterday -- actually, January 19. So that interest
19 shown there for Marathon is Mewbourne Oil Company's
20 now.

21 EXAMINER STOGNER: Any other questions of
22 Mr. Haden? You may be excused.

23 Mr. Bruce?

24 MR. BRUCE: I'd call Mr. Harmon to the
25 stand.

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

4 EXAMINATION

5 BY MR. BRUCE:

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

8 A. My name is Dexter Harmon.

9 Q. Where do you reside?

10 A. Midland, Texas.

11 Q. What is your occupation, and who are you
12 employed by?

13 A. I'm a district geologist for Mewbourne Oil
14 Company.

15 Q. And have you previously testified before
16 the Division as an expert geologist and had your
17 credentials accepted?

18 A. Yes, I have.

19 Q. And are you familiar with the geology
20 involved in this well prospect?

21 A. Yes, I am.

22 MR. BRUCE: Mr. Examiner, I tender the
23 witness as an expert petroleum geologist.

24 EXAMINER STOGNER: Mr. Harmon is so
25 qualified.

1 Q. (BY MR. BRUCE) Mr. Harmon, would you
2 please refer to Mewbourne's Exhibit 7 and discuss your
3 proposed target zone and the other prospective zones
4 in this area?

5 A. Mewbourne Oil Company finds it necessary to
6 apply for and receive an unorthodox location to drill
7 an 11,000-foot Morrow test on its north Turkey Track
8 prospect located in Section 15 of 18 South, 28 East,
9 Eddy County, New Mexico. A location 1,500 foot from
10 the south line, the nearest in boundary of the
11 stand-up unit, and 1,980 feet from the east line of
12 Section 15 would give Mewbourne Oil Company a
13 reasonable opportunity to encounter a net thickness of
14 porous Morrow sand sufficient to make an economic
15 well.

16 We feel a minimum thickness of 10 foot of
17 net porous sand is needed to obtain a commercial well
18 in this area. As you will see on the enclosed isopach
19 maps, a standard location marked by an X on these maps
20 will not provide that for us. These geologic maps
21 will support Mewbourne's view that this unorthodox
22 location indicated by a circle on the maps with a
23 proposed location arrow pointing at it is necessary to
24 give us the opportunity to get 10 foot of porous
25 sand.

1 We feel there is a lot of geologic risk
2 involved because of the nature of these Morrow sands
3 being channels that are sometimes thin, narrow,
4 sinuous, and discontinuous in this area. And also
5 porosity comes and goes within the sands from well to
6 well.

7 Exhibit No. 7 is a production map of all
8 the wells that penetrate the Morrow in this area. It
9 is color-coded as to the production zones in each well
10 with the Cisco being colored in blue, the Atoka in
11 purple, and the Morrow in orange.

12 This is a nine Section area surrounding
13 Section 15. In these nine sections there have been 13
14 Morrow penetrations, none of which were drilled in
15 Sections 15 or 21. Of those 13 penetrations, five of
16 them were economic Morrow producers. Of those five
17 wells, one of them is a very good well making 2.9 Bcf,
18 and that well is located in the south half of Section
19 23.

20 This map shows our east half proration unit
21 outlined in yellow and our proposed location of 1,980
22 feet from the east line and 1,500 feet from the south
23 line. It also shows cross-section D-D', which we'll
24 get to in a minute.

25 The wells in Section 9 and 16 are in the

1 North Illinois Camp Morrow Pool, and the wells in
2 Sections 14 and 23 are in the Turkey Track North
3 Morrow Pool. The three sections between these two
4 pools, 10, 15, and 22, do not have any Morrow
5 production in them at all at the current time.

6 Q. Why don't you move on to your
7 cross-section, Mr. Harmon, and discuss the Morrow in a
8 little more detail?

9 A. Exhibit No. 8 is a stratigraphic
10 cross-section of the Morrow and Atoka formations, and
11 it's labeled D-D'. It's constructed from the
12 northwest to southeast direction through the area
13 along what we consider the depositional trends of
14 these sands is. Each individual Morrow sand or
15 depositional interval in the area has been identified
16 and given a color name for mapping purposes. Below
17 each log on this cross-section is a scout ticket and
18 some Dwight's production data.

19 Corporations are colored in yellow, and the
20 center depth column of each log, and drill stem test
21 intervals are also marked in the center column of each
22 log.

23 This cross-section is hung on the top of
24 the lower Morrow for stratigraphic datum point, and
25 this is also the point the structure map was

1 constructed from. The main objective of this prospect
2 are the lower Morrow sands that you see colored on
3 this cross-section in pink, orange and brown. This
4 cross-section demonstrates that the sands in this area
5 thicken and thin, and the porosity within the sands
6 come and go from location to location.

7 Q. Do you have anything further on this
8 exhibit, Mr. Harmon?

9 A. I could go through the results of each log
10 on the cross-section, if you'd like.

11 Q. What are the two main -- what are the main
12 sands that you're hoping to --

13 A. Our main objective are the lower Morrow
14 sands in this area.

15 Q. And which, if you refer to them by color,
16 which ones?

17 A. It would be the pink, orange, and brown
18 sands.

19 Q. Why don't we discuss these a little bit
20 Morrow on your next exhibits? Briefly, what is
21 Exhibit 9, Mr. Harmon?

22 A. Exhibit 9 is a structure map of the top of
23 the lower Morrow in this area. It shows southeast dip
24 in this area of about 200 foot per mile. The proposed
25 location is 150 foot downdip from the nearest Morrow

1 well, which is located in the east half of Section 16.

2 Q. Then why don't you move on to Exhibits 10,
3 11, and 12 together and discuss your primary zones of
4 interest?

5 A. Exhibit No. 10 is a lower Morrow brown sand
6 net porosity isopach map. On each of these maps, the
7 producing zone is color coded so that you can tell
8 which wells this sand produced in. And the brown sand
9 produced in Section 9 in both wells in Section 9 and
10 no other wells in this mapped area.

11 You can see we're truly trying to extend
12 the production of this lower Morrow brown sand. It's
13 a risky proposition, but our isopach map shows that,
14 at the proposed location, we would anticipate 10 foot
15 of porous sand.

16 Exhibit No. 11 is a lower Morrow orange
17 sand net porosity isopach map. This is the most
18 common lower Morrow sand producer in the area. It has
19 good production in the east half of Section 16, but it
20 was uneconomical in the west half of Section 16. Also
21 produced two wells in Section 9, and it's part of the
22 production of the well in the south half of Section
23 23, which is the best well in the area.

24 You can see the standard location marked by
25 an X in our proposed location marked by a circle. We

1 just need to move a few hundred foot south to get 10
2 foot of porous sand, which we feel like is the minimum
3 amount of sand to make a commercial well.

4 Exhibit No. 12 is the last map I've
5 submitted for this hearing. It's a lower Morrow pink
6 sand net porosity isopach map. You can see that in
7 only one well, this pink sand had greater than --
8 well, had 10 foot of porous sand, and that's the well
9 in the south half of Section 23.

10 Production is pretty spotty in this sand.
11 Again, according to this map, we just need to move a
12 little farther south to give us the opportunity to get
13 10 foot of this sand.

14 Q. And if there are any nonconsenting interest
15 owners under the compulsory pooling order, what
16 penalty do you recommend against those interest
17 owners?

18 A. We recommend cost plus 200 percent.

19 Q. In your opinion, is that justified by the
20 geological risk of this prospect?

21 A. Yes, it is.

22 Q. In your opinion, is the granting of this
23 application in the interests of conservation, the
24 prevention of waste, and the protection of correlative
25 rights?

1 A. Yes.

2 Q. Were Exhibits 7 through 12 prepared by you
3 or under your direction?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I move the
6 admission of Exhibits 7 through 12.

7 EXAMINER STOGNER: Exhibits 7 through 12
8 will be admitted into evidence

9 EXAMINATION

10 BY MR. STOGNER:

11 Q. Mr. Harmon, in looking at your exhibits,
12 over in the west half of Section 16 there seems to be
13 a well that keeps popping up, but I don't believe I
14 heard what that well is producing from. It doesn't
15 appear to have penetrated the Morrow. Could you
16 enlighten me a little bit more on that particular
17 well?

18 A. That well is the Mewbourne Oil Company
19 Turkey Track State #1, and it is currently drilling.

20 Q. Do you know what the depth of that well is
21 at this point?

22 A. My last report was at last night, and we
23 were at 6400 feet.

24 Q. Look at Exhibit No. 1 that was submitted
25 today. I'm sure you're familiar with it, a copy of

1 the Midland map. There shows to be some other wells
2 located in here. And since we are force pooling other
3 zones higher up, what are those wells producing from
4 that are marked in the east half of Section 15?

5 A. Those are shallow Queen wells. They
6 produce from a depth of around 2,000 foot.

7 Q. And the Queen formation is not included in
8 today's request?

9 A. No. We're asking for 500 foot below the
10 top of the San Andres, and the Queen is above the San
11 Andres.

12 Q. What other producing horizons between the
13 San Andres and the Morrow are in this area?

14 A. In this area, do you mean this township or
15 part of the county?

16 Q. You're force pooling 160 and 80 acres.
17 Let's just go with 80. What pool is spaced on 80 in
18 this area and what formation is that producing from,
19 and actually that will have to be within a mile before
20 that is specially spaced on 80 since New Mexico, as
21 you know, doesn't have statewide 80-acre spacing.
22 That only comes with special pool rules. So, since
23 you're asking for it, what pool is within a mile of
24 this well?

25 A. I'm not familiar with any.

1 Q. But you are force pooling 80 acres?

2 A. Yes, because we're drilling down through to
3 the Morrow. This isn't a shallow, 2,000-foot test.
4 Really, we could run into a Wolfcamp or a Bone Spring,
5 you know, something that may need that.

6 Q. May need what?

7 A. Eighty-acre spacing.

8 Q. And why would it need 80-acre spacing?

9 MR. STOVALL: Let me back up and do this a
10 different way perhaps, Mr. Examiner.

11 Mr. Harmon, you understand that we cannot
12 force pool into a spacing unit that is not established
13 for the area? In other words, we can't force pool an
14 80-acre unit if there's no 80-acre special pool rules
15 out in that vicinity. Do you understand that? Are
16 you aware of that?

17 THE WITNESS: No, I wasn't aware of that.

18 MR. STOVALL: I guess the point the
19 Examiner is making is you're asking to force pool on a
20 spacing unit that doesn't exist in the area, and that
21 a spacing unit would first have to be established
22 before we could go to 80-acre spacing.

23 MR. BRUCE: Mr. Stovall, for your
24 information, when we filed the application, we did ask
25 for 80-acre spacing, if any, in the area. At the time

1 that I filed the application, I was not certain if
2 there were any.

3 MR. STOVALL: I understand, but I think at
4 this point, I know you have talked to your clients on
5 that, and I had some discussion with other members of
6 the staff and explained this to them, but I think at
7 this point I don't see that -- unless you know
8 something, I don't think there's anything that we
9 could pool on 80 acres because there is no 80-acre
10 spacing in the area.

11 EXAMINER STOGNER: So 80 acres can be
12 eliminated; is that right, Mr. Bruce, at this time
13 since --

14 MR. BRUCE: If we're not within a mile.

15 THE WITNESS: Let us double-check that.

16 MR. BRUCE: Could I report back on the
17 record at the end of today's hearing?

18 MR. STOVALL: Yeah, I think we can leave
19 the record open until the end of the day. The pool is
20 right here in the office, the best source -- you might
21 check that just to make sure. If there are no 80-acre
22 pools within a mile of this location, then it will --

23 MR. BRUCE: Then we will dismiss that.

24 Q. (BY EXAMINER STOGNER) In your
25 cross-section D-D', it looks like the Atoka is a good

1 secondary interval in which it is going to be checking
2 out, and it appears there are some Atoka, at least
3 some wells that are perforated in the Atoka
4 formation. Do you know what pool those are in? And
5 I'm referring to the four on your right-hand side of
6 the large Exhibit No. 8.

7 A. That's in the Eddy-Atoka Pool, as indicated
8 on the production below the log on the cross-section.
9 That's not a very good Atoka well. It made 147
10 million cubic feet in its first nine months of
11 production. That's not a strong well.

12 Also, there is a drill stem test in the
13 Atoka in the first well on the cross-section over by
14 D. That proved to be wet in that well. So we don't
15 have a strong economic Atoka producer in this area
16 yet, but it is a target that we will be looking at.

17 EXAMINER STOGNER: Are there any other
18 questions of Mr. Harmon?

19 MR. STOVALL: Not by me.

20 EXAMINER STOGNER: You may be excused.

21 Mr. Bruce?

22 MR. BRUCE: Nothing further in this case,
23 Mr. Examiner.

24 EXAMINER STOGNER: Let's see, if I
25 understand, Mr. Bruce, this case will need to be

1 readvertised and continued to the examiner hearing
2 scheduled February 18, 1993, to take care of the
3 readvertisement showing 500 feet below the top of the
4 San Andres formation; is that correct?

5 MR. BRUCE: That's correct, Mr. Examiner.

6 MR. STOVALL: We'll leave the record open,
7 Mr. Examiner, until the conclusion of the hearing
8 today to allow them to check the pool spacing in that
9 area.

10 EXAMINER STOGNER: Mr. Bruce?

11 MR. BRUCE: That's correct, I will check as
12 soon as we're done with this next case.

13 EXAMINER STOGNER: The record will be left
14 open.

15 (Thereupon, the proceedings continued
16 and Case 10635 was reopened as follows:)

17 EXAMINER STOGNER: Before we continue with
18 Case 10656, I'm going to allow Mr. Jim Bruce in Case
19 No. 10635, the Mewbourne Oil Company, to make his
20 report at this time.

21 MR. BRUCE: Mr. Examiner, you had a
22 question about 80-acre spacing. There is an 80-acre
23 pool within a mile of the proposed well. It's the
24 Travis Upper Pennsylvanian Pool under Order R-5643.
25 The land in the pool includes the southeast quarter of

1 Section 14 and north half of Section 23, 18 South, 28
2 East, which is within a mile of the proposed well.

3 EXAMINER STOGNER: And that is spaced on 80
4 acres; is that correct?

5 MR. BRUCE: That is correct.

6 EXAMINER STOGNER: Travis Upper Penn.
7 Thank you, Mr. Jim Bruce.

8 MR. BRUCE: Thank you, Mr. Examiner.

9 EXAMINER STOGNER: As stated, this case
10 will be advertised and continued to the examiner's
11 hearing for February 18, 1993.

12
13
14
15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. 10635,
19 heard by me on 12/21/1993 19 93.

20 
21 _____, Examiner
22 Oil Conservation Division
23
24
25

1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)

4) ss.

5 COUNTY OF SANTA FE)

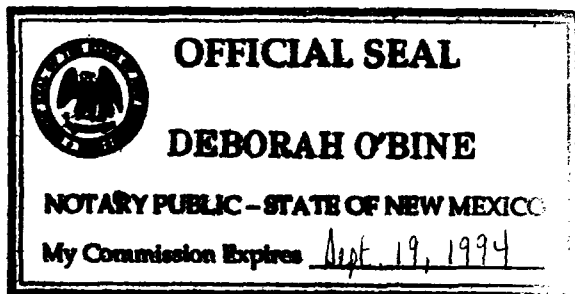
6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that I
8 caused my notes to be transcribed under my personal
9 supervision, and that the foregoing transcript is a
10 true and accurate record of the proceedings of said
11 hearing.

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

16 WITNESS MY HAND AND SEAL, January 25, 1993.

17 *Deborah O'Bine*
18

19 DEBORAH O'BINE
20 CCR No. 63



CUMBRE COURT REPORTING
P.O. BOX 9262
SANTA FE, NEW MEXICO 87504-9262
(505) 984-2244