

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:)
)
 APPLICATION OF BABER WELL SERVICING)
 COMPANY AND/OR PRONGHORN MANAGEMENT)
 CORPORATION FOR AN UNORTHODOX OIL WELL)
 LOCATION, LEA COUNTY, NEW MEXICO)
)

CASE NO. 11,013

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 22nd, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, January 22nd, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

January 22nd, 1998
Examiner Hearing
CASE NO. 11,013

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR POGO PRODUCING COMPANY:

JAMES G. BRUCE, Attorney at Law
612 Old Santa Fe Trail, Suite B
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:55 a.m.:

3 EXAMINER STOGNER: At this time let's call Case
4 Number 11,013.

5 MR. CARROLL: Application of Baber Well Servicing
6 Company and/or Pronghorn Management Corporation for an
7 unorthodox oil well location, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce representing
10 Pogo Producing Company. I have a short statement.

11 EXAMINER STOGNER: Any other appearances in this
12 matter?

13 Mr. Bruce?

14 MR. BRUCE: Mr. Examiner, Pogo is an offset
15 interest owner to the subject well. Pogo and Baber well
16 Service Company have been in discussions, trying to resolve
17 this matter. They have not finally resolved it, but
18 proposals have been made. I believe Mr. Baber himself
19 called Mr. Carroll asking for a continuance for four weeks.

20 Pogo does not oppose a continuance. Hopefully,
21 it will give the parties time to resolve the matter. And
22 so we would ask that the matter be continued until the
23 February 19th hearing, and hopefully a large portion of
24 this dispute can be resolved.

25 MR. CARROLL: Mr. Examiner, I can verify that Mr.

1 Baber did call me. I notified Mr. Baber that if Pogo
2 signed off on his request for continuance, we would
3 continue it until February 19th.

4 Mr. Bruce has just acknowledged that Pogo has
5 assented to the request for continuance, and even though we
6 don't have anything in writing from Mr. Baber I believe
7 this case should be continued to February 19th, based upon
8 the agreement of the two parties involved.

9 EXAMINER STOGNER: Okay, this is the second time
10 this matter has been continued. I'd like to go on record
11 that any additional continuances will result in a shut-in
12 of that well.

13 MR. BRUCE: Pogo would very much agree with that.

14 EXAMINER STOGNER: So let's go on the record at
15 this point. Any additional continuances from that February
16 19th will result in an automatic shut-in notification for
17 that particular well.

18 Mr. Carroll, anything further in this matter?

19 MR. CARROLL: No.

20 EXAMINER STOGNER: For the record, 11,013 will be
21 continued to the Examiner's hearing scheduled for February
22 19th, 1998.

23 (Thereupon, these proceedings were concluded at
24 9:57 a.m.)

25 * * *

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 January 23rd, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11013, heard by me on 27 Jan. 1998.



Examiner
 Oil Conservation Division

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:)
APPLICATION OF BABER WELL SERVICING)
COMPANY AND/OR PRONGHORN MANAGEMENT)
CORPORATION FOR AN UNORTHODOX OIL WELL)
LOCATION, LEA COUNTY, NEW MEXICO)

CASE NO. 11,013

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 19, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 19th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

February 19th, 1998
 Examiner Hearing
 CASE NO. 11,013

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<u>TERRY GANT</u> (Landman)	
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E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR POGO PRODUCING COMPANY:

JAMES G. BRUCE, Attorney at Law
 612 Old Santa Fe Trail, Suite B
 Santa Fe, New Mexico 87501
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:10 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 11,013.

5 MR. CARROLL: Application of Baber Well Servicing
6 Company and/or Pronghorn Management Corporation for an
7 unorthodox oil well location, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce representing
10 Pogo Producing Company, which is an offset interest owner.
11 I have a witness, if necessary, although I don't see him in
12 the room right now.

13 EXAMINER STOGNER: Do you see him in the room
14 now?

15 MR. BRUCE: No, sir, I don't.

16 EXAMINER STOGNER: Is there anybody here
17 representing Baber Well Service?

18 MR. CARROLL: Mr. Bruce, Mr. Baber has contacted
19 the Division on a couple of occasions, informing the
20 Division that an agreement was or is being reached with
21 Pogo. Is --

22 MR. BRUCE: Mr. Examiner, my witness, who is a
23 landman, is going to testify about his contacts with Baber
24 Well Servicing Company. Pogo has made proposals. Baber
25 has essentially never responded to the proposals. And at

1 this point there is no agreement.

2 MR. CARROLL: The only agreement that was reached
3 was a continuance of the hearing before?

4 MR. BRUCE: Yes, sir.

5 MR. CARROLL: Mr. Bruce, when do you anticipate
6 your witness being here?

7 MR. BRUCE: I'm sorry, Mr. Carroll, I thought
8 he'd be here by 9:00. I had told him to be here by now. I
9 thought the Shahara cases were going forward.

10 MR. CARROLL: We'll just continue this case till
11 later in the docket. You'll let us know when your witness
12 shows up?

13 MR. BRUCE: Yes, sir.

14 (Thereupon, the following proceedings were had at
15 10:57 a.m.)

16 EXAMINER STOGNER: Hearing again will come to
17 order.

18 At this time I'm going to recall Case Number
19 11,013.

20 MR. CARROLL: Application of Baber Well Servicing
21 Company and/or Pronghorn Management Corporation for an
22 unorthodox oil well location, Lea County, New Mexico.

23 EXAMINER STOGNER: Call for appearances.

24 MR. BRUCE: Mr. Examiner, Jim Bruce from
25 Santa Fe, New Mexico, representing Pogo Producing Company.

1 I have one witnesses to be sworn.

2 EXAMINER STOGNER: Again, any other appearances?

3 Will the witness please stand to be sworn?

4 (Thereupon, the witness was sworn.)

5 TERRY GANT,

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. STOGNER:

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

11 A. Terry Gant.

12 Q. Who do you work for and in what capacity?

13 A. Pogo Producing Company. I'm the division
14 landman.

15 Q. Have you previously testified before the
16 Division?

17 A. Yes, I have.

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

20 A. Yes, they were.

21 Q. And are you familiar with the land matters
22 involved in this case?

23 A. Yes, I am.

24 Q. Mr. Gant, why don't you refer to Exhibit 1 and
25 just identify that briefly for the Examiner and describe

1 what Pogo's interest is in this area.

2 A. We basically own an override in the south half of
3 Section 20 from the surface down to 5200 feet. Below 5200
4 feet, we own approximately 93 percent of the working
5 interest.

6 Q. And does that red square indicate the Baber oil
7 well unit?

8 A. Yes, it does.

9 Q. And that well encroaches what? Forty feet off
10 your lease line?

11 A. That's correct.

12 Q. What -- To start off with, what is Pogo's
13 position in this matter? Do they object to the location or
14 what?

15 A. We do object to the location. Basically we feel
16 that we are probably being drained by that well. Outside
17 of that, that's pretty much it.

18 Q. Okay, we'll get into your discussions with Baber
19 now. Let's -- Would you move on to Exhibit 2 and just --
20 What does that package represent?

21 A. Exhibit 2 is -- I think the whole package
22 basically regards Baber's initial contact with us on
23 January the 7th of 1994, asking us to sell our override,
24 which we then declined to do by my letter January 17th.

25 They sent another letter, dated January 19th,

1 again, same offer. We again declined by our letter dated
2 February 24th.

3 Then in June we received a letter from them
4 advising us that they now requested a waiver of the
5 nonstandard location, which I basically advised them that
6 we would not agree to do.

7 Q. That case was docketed for hearing, and Pogo
8 entered an appearance in that case, did it not?

9 A. Yes, we did.

10 Q. And that was back in the summer of 1994?

11 A. I believe that's correct.

12 Q. What happened from the summer of 1994 till 1997
13 regarding the --

14 A. Well, again, my understanding was that they were
15 going to keep that well shut in. In other words, the
16 hearing was continued indefinitely. We just pretty much --
17 I had it up on a call-up file. We checked into it, and
18 that's when we discovered that Baber actually was producing
19 the well.

20 Q. And so from the -- were you informed by -- Who
21 owns Baber Well Servicing?

22 A. All I've talking to typically is Guy Baber.

23 Q. Okay, he's an officer of the company?

24 A. That's correct, that's correct.

25 Q. And your last in August of 1994 was that -- the

1 case would be continued and the well would be shut in?

2 A. That's correct.

3 Q. And then what happened in 1997?

4 A. In 1997, again, we discovered that the well was
5 actually being produced, at which point in time we wrote a
6 letter to Mr. Stogner advising him of that fact and asked,
7 if he could, if he could look into the matter, because we
8 had not been notified, in fact, of another hearing, hearing
9 date, which we then discovered that there was not another
10 hearing date. I guess he was just doing it without getting
11 the necessary approvals.

12 Q. Okay. Did you try to make a deal with Baber so
13 that you would waive the objection and you would work out
14 some accommodation?

15 A. We've attempted to. You know, we've tried to
16 contact Mr. Baber. In fact, at around the same point in
17 time when we contacted Mr. Stogner, we wanted to contact
18 him again to find out what was going on. It took a while.

19 He finally did call us back, and we've tried to
20 negotiate -- In fact, I know we've continued this hearing,
21 I think -- This is the third time, or actually the third
22 time, if I remember correctly. And each time we've never
23 yet been able to reach an agreement.

24 Q. Has Mr. Baber, Baber well servicing, ever
25 specifically proposed anything to you?

1 A. They have talked about some things with us, which
2 we've kicked around a little bit, but we've never -- like I
3 said, never reached a formal agreement.

4 In fact, we contacted Mr. Baber late last week
5 again to -- in fact, contacted him about four times last
6 week again, to make sure that he was aware that there was
7 going to be a hearing this week, that we again wanted to
8 attempt to work something out, but we still have not worked
9 anything out.

10 Q. And at this point you'd like the well shut in if
11 you can't work out an agreement?

12 A. That would probably be the best thing for right
13 now. Again, you know, we would -- we still would like to
14 discuss this with Mr. Baber and try to work something out.
15 In fact, that's still my intent, but right now we just
16 haven't been able to work anything out.

17 Q. Besides this correspondence, were there numerous
18 phone calls made by Pogo to Baber?

19 A. Yes. Again, the majority of the phone calls had
20 been started, basically, in October of 1997. This thing
21 pretty much sat because it was our understanding that we
22 would be contacted if this matter again was going to come
23 to hearing.

24 So the phone calls, the conversations, have all
25 been pretty much since October of 1997.

1 Q. What does Exhibit 3 represent?

2 A. Exhibit 3 is going to be, I believe, the ONGARD
3 production report regarding this well that we received from
4 the State.

5 Q. So the well was producing for over three years,
6 even though Baber Well Servicing had told you that the well
7 would be shut in?

8 A. That's correct. And the only thing I would point
9 out too is that we're not exactly clear -- I think I'm
10 clear now, after seeing the C-104, because again, we've
11 never seen a copy of their completion report as to actually
12 when the well was drilled and completed. But I know I'm --
13 I'm jumping ahead of you, but --

14 Q. Go ahead. But Exhibits 4 and 5 were the -- were
15 taken from the OCD's files, were they not?

16 A. That's correct.

17 Q. And Exhibit 4 shows a well proposal which says
18 that the wells will not be produced until unorthodox
19 location approval is obtained?

20 A. That's correct.

21 Q. And then Exhibit 5 is the C-104 showing that
22 there has been oil and gas transported, I believe?

23 A. That's correct.

24 Q. The well was completed, actually completed,
25 sometime in February, 1994?

1 A. That's what they're showing, yes.

2 Q. So in other words, you'd like to work out a deal;
3 you haven't been able to?

4 A. That's correct.

5 Q. And has it been difficult at times to get hold of
6 Mr. Baber?

7 A. Yes, it has.

8 Q. To get him to respond to your discussions and
9 letters?

10 A. Yes.

11 Q. Were Exhibits 1 through 5 prepared by you, under
12 your direction, or compiled from company business records?

13 A. Yes, they were.

14 Q. And in your opinion is the shutting in of the
15 well at this point in the interests of conservation, the
16 prevention of waste and the protection of correlative
17 rights?

18 A. Yes, it is.

19 MR. BRUCE: Mr. Examiner, I would move the
20 admission of Pogo's Exhibits 1 through 5.

21 EXAMINER STOGNER: Exhibits 1 through 5 will be
22 admitted into evidence.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. Gant, in looking at Exhibit Number 1 --

1 A. Yes, sir.

2 Q. -- the well to the north in Section 20, in the
3 southwest southwest corner --

4 A. Yes, sir.

5 Q. -- shows to be designated 1?

6 A. Yes, sir.

7 Q. What can you tell me about that well?

8 A. That is also operated by Baber.

9 Right now, Mr. Stogner, I can't -- I don't know
10 exactly what the well is producing, but I can tell you it's
11 probably a -- you know, a fairly marginal well.

12 Q. Is that well producing from the same pool, the
13 San Simon Yates North Associated Pool?

14 A. Yes, it is, sir.

15 Q. Again, what is Pogo's interest in the south half
16 of Section 20?

17 A. South half of 20, rights from the surface to 5200
18 feet, we have a 16th override.

19 Q. Surface to 1500 --

20 A. 5200.

21 Q. -- 5200 feet, you have a one-sixth --

22 A. Sixteenth.

23 Q. -- sixteenth --

24 A. 6.25.

25 Q. -- override. And what depth is this production

1 coming from?

2 A. I believe it's around 3800 feet, if I remember
3 correctly. I think that's correct, around 30- -- I know
4 the perforation showing up on the Number 5 well is around
5 3700 to 3800.

6 EXAMINER STOGNER: Any other questions of this
7 witness?

8 MR. BRUCE: No, sir.

9 EXAMINATION

10 BY MR. CARROLL:

11 Q. What's your interest below 5200 feet? You said
12 about 93 percent?

13 A. About 93 percent working interest, yes, sir.

14 Q. Did Baber obtain the lease to the -- or its
15 rights from Pogo?

16 A. Actually, it acquired the rights from -- I'm
17 trying to think, the chain of title. Pogo sold its
18 interest to a company that then sold its rights. It's gone
19 through about, I think, two different companies.

20 Q. When was your last contact with Mr. Baber?

21 A. Last contact? I left a phone message yesterday
22 afternoon.

23 The actual last discussions was with a
24 consultant, Elizabeth Moses. She talked to him, if I
25 remember correctly, on Friday of last week.

1 Q. What was her name? Elizabeth what?

2 A. Moses.

3 Q. M-o-s-e-s?

4 A. Uh-huh.

5 Q. And that's a consultant to Baber?

6 A. Consultant to Pogo. In other words, she's
7 working for me.

8 Q. And she spoke to Mr. Baber when?

9 A. Friday.

10 Q. Last Friday?

11 A. Last Friday, uh-huh. Like I said, I called Mr.
12 Baber yesterday afternoon, but just left a message. I
13 could not get ahold of him.

14 Q. And Pogo seeks -- what? The shut-in of this well
15 until such time as what?

16 A. As we can -- You know, I'd still like to reach
17 some kind of an agreement with him, but to date we've not
18 been able to do that.

19 EXAMINER STOGNER: If there's nothing further,
20 Mr. Gant may be excused.

21 Let the record show that this matter was
22 readvertised, that the operator shall appear and show cause
23 why this well should not be plugged and abandoned, and
24 various other stipulations.

25 Let the record show that Baber Well Servicing was

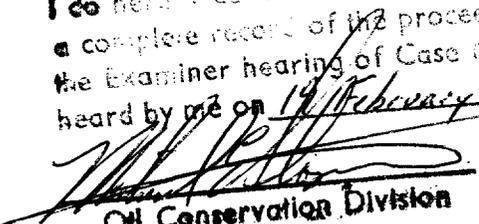
1 not in attendance.

2 With that, Case Number 11,013 will be taken under
3 advisement, and the Division will act accordingly.

4 (Thereupon, these proceedings were concluded at
5 11:10 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11013,
heard by me on 19 February 1998.
, Examiner
Oil Conservation Division

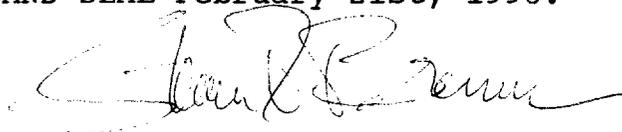
CERTIFICATE OF REPORTER

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 February 21st, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

