

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

11 September 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of TXO Production Corp. for amendment of Division Order No. R-7817, as amended, Eddy County, New Mexico. CASE 8699

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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TXO Exhibit Twelve, Isopach

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2 MR. QUINTANA: We'll call next
3 Case 8699.

4 This is the application of TXO
5 Production Corporation for amendment to Division Order No.
6 R-7817, as amended, Eddy County, New Mexico.

7 MR. DICKERSON: Mr. Examiner,
8 I'm Chad Dickerson of Artesia, New Mexico, on behalf of the
9 applicant.

10 We have two witnesses.

11 MR. QUINTANA: Are there other
12 appearances in this case?

13 MR. NUTTER: Dan Nutter, Con-
14 sulting Engineer, Santa Fe, appearing on behalf of Bass En-
15 terprises.

16 I'll have a statement to make.

17 MR. QUINTANA: Would you all
18 please stand and be sworn at this time.

19 You just going to make a state-
20 ment?

21 MR. NUTTER: Just a statement.

22
23 (Witnesses sworn.)
24
25

1 MR. QUINTANA: You may proceed.

2
3 DAVID M. HUNDLEY,
4 being called as a witness and being duly sworn upon his
5 oath, testified as follows, to-wit:
6

7 DIRECT EXAMINATION

8 BY MR. DICKERSON:

9 Q Mr. Hundley, will you state your name,
10 your occupation, and by whom you're employed, please?

11 A My name is David Hundley. I'm a landman
12 with TXO Production Corp. in Midland, Texas.

13 Q And you have previously testified before
14 this Division and had your credentials made a matter of re-
15 cord, have you not?

16 A Yes, sir, I have.

17 MR. DICKERSON: Is this witness
18 considered qualified, Mr. Examiner?

19 MR. QUINTANA: When was the
20 most recent time you testified? Approximately. Within the
21 last year or two?

22 A It was 1985.

23 MR. QUINTANA: He's considered
24 qualified.

25 Q Will you briefly summarize the purpose of

1 TXO's application in Case 8699?

2 A TXO seeks an amendment of Division Order
3 No. R-7817, as amended, in approving an unorthodox gas well
4 location 660 feet from the south and east lines of Section
5 2, Township 22 South, Range 27 East, Eddy County, New Mexi-
6 co.

7 This previous location was approved for a
8 proration unit consisting of the south half of said Section
9 2.

10 TXO would like to rededicate the east
11 half of said Section 2 to the subject well, and in addition
12 to compulsory pool all mineral interest from the base of the
13 Wolfcamp formation to the base of the Morrow formation un-
14 derlying the east half of Section 2, and also to approve a
15 nonstandard proration unit consisting of the southeast quar-
16 ter of Section 2 for the Wolfcamp production.

17 Q So TXO desires to retain the approval
18 previously granted for the unorthodox well location but to
19 change the spacing unit from south half to east half of Sec-
20 tion 2.

21 A That's right.

22 Q Please refer to Exhibit Number One, Mr.
23 Handley, and state what is shown on that.

24 A Exhibit Number One is a land plat of the
25 area in which the proposed location of our well is circled

1 and the proration unit for a Morrow producing well is col-
2 ored yellow, being the east half of Section 2.

3 The proration unit for a Wolfcamp pro-
4 ducer is outlined in orange in the southeast quarter of Sec-
5 tion 2.

6 Q Mr. Hundley, who are the parties who are
7 proposed to be subjected the forced pooling in this case? ✓

8 A The parties owning interest in the north-
9 east quarter of Section 2 in the Morrow formation are Delta
10 US Corporation, Gulf Oil Corporation, now Chevron, Bass En-
11 terprises Production Company, and Perry K. Bass.

12 Q Now has the application filed in this
13 case also sought to pool the interest of Champlin Petroleum
14 Company and has TXO subsequently made a voluntary agreement
15 with Champlin regarding its interest?

16 A Yes. Champlin has agreed to farmout its
17 interest and TXO has accepted their terms.

18 Q What are the approximate interests of the
19 four parties sought to be pooled in this case?

20 A Delta US Corporation has approximately 11
21 percent interest in the Champlin-operated Nix-Yates No. 1 in
22 the northeast quarter of Section 2.

23 Gulf has approximately 11 percent inter-
24 est and Bass Enterprises Production Company and Perry K.
25 Bass together have approximately 5 percent.

1 Of course these numbers would be propor-
2 tionately reduced by half if those parties were to partici-
3 pate in our well drilled to the Morrow formation.

4 MR. DICKERSON: Mr. Examiner,
5 the case file will also reflect an affidavit of mailing giv-
6 ing notice of this hearing, together with a copy of the ap-
7 plication to all four of these parties.

8 Q Mr. Hundley, refer to the package you
9 have submitted as Exhibit Number Two and tell us what's
10 shown by that.

11 A Exhibit Number Two is a set of copies of
12 my most recent correspondence with the parties we are seek-
13 ing to pool.

14 In the letter I refer to the hearing, as
15 well as our previous letter of March 26th, 1985, to the par-
16 ties in which we initially proposed the drilling of our
17 well. The letter also was a cover letter for an Authority
18 for Expenditure and operating agreement.

19 We originally asked the parties owning an
20 interest in the northeast quarter of Section 4 to farm out
21 their lease ownership.

22 Q To your knowledge, what is the position
23 of the four parties at this time?

24 A Recent telephone conversations with them
25 have indicated there's no objection to being pooled at this

1 time.

2 Q Direct the Examiner's attention to Exhi-
3 bit Number Four and state what that is, or Exhibit Number
4 Three, excuse me.

5 A Exhibit Number Three is an Authority for
6 Expenditure for the drilling of our proposed well at the
7 proposed location, showing a dry hole cost of \$514,700 and a
8 completed well cost of \$810,400.

9 Q This AFE was prepared by TXO's Engineer-
10 ing Department based on its experience in this area to
11 wells of this depth?

12 A Yes, it was.

13 Q Refer to Exhibit Number Four, Mr. Hand-
14 ley, and state what it is.

15 A Exhibit Number Four is the short form of
16 operating agreement we propose to use in this well. The ex-
17 hibit details how the AAPL Form 610, 1977 Operating Agree-
18 ment should be completed and any additions or deletions to
19 the operating agreement.

20 Q Where in that exhibit does it -- is the
21 requested overhead charges that TXO seeks in this case set
22 out?

23 A Page four of the operating agreement in
24 Article 2-A lists the drilling well rate and the producing
25 well rate that TXO proposes to use.

1 Q And what are those?

2 A The drilling well rate is \$5374 a month
3 and the producing well rate is \$538 per month.

4 Q And are these TXO's usual, customary,
5 reasonable charges for overhead for wells of this depth in
6 this area?

7 A Yes, they are.

8 Q Where in Exhibit Four, Mr. Hundley, is
9 the penalty to be imposed upon nonconsenting parties set
10 forth?

11 A Okay, on page one, Article 10-B, and the
12 nonconsent penalty TXO normally uses, it says change to 300
13 percent. 300 percent is the penalty we seek in drilling and
14 completing costs.

15 Q Mr. Hundley, what is the requested non-
16 standard proration unit for the Wolfcamp well possibility?
17 What's the necessity for that request?

18 A The reason we are requesting a 160-acre
19 proration unit for Wolfcamp production is because on July
20 6th, 1976, Order No. R-5229 was handed down by the Oil Con-
21 servation Commission establishing 160-acre spacing for the
22 Nix-Yates No. 1 Well, located in the northeast quarter of
23 Section 2, which Nix-Yates No. 1 Well produces from the
24 Wolfcamp formation.

25 Q That order also created 160-acre spacing

1 units for other Wolfcamp wells in the area, as well, did it
2 not?

3 A Yes. The two wells in the adjacent Sec-
4 tion 1 were also given 160-acre spacing units to Wolfcamp
5 production.

6 Q Mr. Hundley, were Exhibits One, Two,
7 Three, and Four compiled by you or under your direction and
8 supervision?

9 A Yes, they were.

10 MR. DICKERSON: Mr. Examiner,
11 at this time move the admission of Applicant's Exhibits One,
12 Two, Three and Four.

13 MR. QUINTANA: Exhibits One
14 through Four will be entered as evidence.

15 MR. DICKERSON: And I have no
16 further questions of Mr. Hundley.

17
18 CROSS EXAMINATION

19 BY MR. QUINTANA:

20 Q Did you say, Mr. Hundley, that you had
21 phone contact with nonconsenting working interest owners and
22 that they posed no objection to being force pooled?

23 A No, I did not. To expound a little bit,
24 the people we are pooling only have an interest in our pro-
25 posed well in the Morrow formation. As such if the well was

1 drilled and completed elsewhere, they would not have an in-
2 terest in the well.

3 As a result, it proposes even greater
4 risk for them to participate in our well and in addition to
5 their interest being rather small they didn't want to parti-
6 cipate or farmout under the terms that we sought.

7 Q You've answered my question.

8 MR. QUINTANA: Any further
9 questions of the witness?

10 If not, he may be excused.

11 MR. DICKERSON: Mr. Examiner,
12 call Mr. Richards at this time.

13
14 RUSSELL RICHARDS,
15 being called as a witness and being duly sworn upon his
16 oath, testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. DICKERSON:

20 Q Will you state your name, your occupation
21 and by whom you're employed, please?

22 A My name is Russell Richards. I'm a geo-
23 logist with TXO Production in Midland, Texas.

24 Q Mr. Richards, have you previously testi-
25 fied before this Division?

1 A No, I haven't.

2 Q Will you briefly summarize your educa-
3 tional and employment background for the examiner?

4 A Yes. I received my Bachelor of Science
5 degree in geology from Eastern New Mexico University in
6 1980.

7 I was employed with Gulf Oil Corporation
8 as a petroleum geologist for two and a half years and have
9 been employed with TXO Production as a geologist for the
10 past two years.

11 Q And in that capacity have you had occa-
12 sion to review the geology of the area of the well in ques-
13 tion in this case for the purpose of forming an opinion as
14 to a risk penalty factor to be imposed?

15 A Yes, I have.

16 Q And are you familiar with TXO's applica-
17 tion in Case 8609?

18 A Yes, I am.

19 MR. DICKERSON: Mr. Examiner,
20 is this witness considered qualified?

21 MR. QUINTANA: Mr. Richards,
22 where has the major part of your experience been, in New
23 Mexico, West Texas, or where?

24 A I was employed with Gulf in Hobbs, New
25 Mexico, where I spent most of my time working Eddy County.

1 MR. QUINTANA: That will be
2 fine. He is considered qualified.

3 You may proceed.

4 Q Please refer to what you have submitted
5 as Exhibit Number Five, 5, Mr. Richards, and state what that
6 is.

7 A Exhibit Number Five is a production map
8 in the area of the Carlsbad East Field. The proposed loca-
9 tion is shown by a circle, 660 from the south and east lines
10 of Section 2. The Morrow proration unit is outlined in yel-
11 low and the Wolfcamp proration unit is outlined in orange.

12 To briefly summarize the production,
13 there is one Delaware producer in Section 10; however, the
14 Delaware is not an objective at the proposed location.

15 There are four immediate offsetting wells
16 which produced or attempted to produce from the Wolfcamp, of
17 which three were economic or marginally economic and one
18 well in the south -- excuse me, in the northeast of Section
19 1 was uneconomic in the Wolfcamp.

20 In the Strawn interval there is one well
21 which attempted to produce from the Strawn, with basically
22 no production, just 4-million cubic feet of gas.

23 Two nearby wells were completed in the
24 Morrow, the Champlin Wix-Yates Well in the northeast of Sec-
25 tion 2 and the Champlin Pecos Federal in the northwest of

1 Section 1. Both were uneconomic at that depth.

2 Q What is TXO's primary objective in this
3 well?

4 A Primarily Wolfcamp.

5 Q Refer to your Exhibit Number Six, Mr.
6 Richards, and tell us what you've shown on that.

7 A Exhibit Number Six is a structure map on
8 top of the Middle Morrow Sands. The Morrow producers are
9 highlighted in green.

10 The proposed location is a down dip step
11 out from the Morrow production to the north.

12 Also indicated by the dashed line are the
13 wells displayed on cross section B-3', which is the next ex-
14 hibit.

15 Q Refer to your next exhibit, Number Seven,
16 and describe that for the examiner.

17 A Exhibit Number Seven is a stratigraphic
18 cross section hung on the top of the Middle Morrow, showing
19 the correlation of the Middle and Lower Morrow section of
20 the wells in the immediate area of the proposed location.

21 Also indicated are the perforated and
22 tested intervals in each of these wells.

23 Q Describe what you've shown by Exhibit
24 Number Eight, please.

25 A Exhibit Number Eight is an Isopach map of

1 net Middle Morrow Sands, which is our primary Morrow objec-
2 tive.

3 The Champlin Nix-Yates Well in the north-
4 east of Section 2 encountered 21 net feet of Mid Morrow Sand
5 and produced 300-million cubic feet. The well was completed
6 in April of '74. That, again, as I stated earlier, that
7 would be uneconomic at that depth.

8 Also a direct offset to the south, the
9 Western Oil Bass No. 1 Well in Section 11 encountered 13
10 feet of net Mid Morrow Sand. This -- these sands were per-
11 forated but were found nonproductive.

12 We anticipate approximately 20 to 25 net
13 feet of Mid Morrow Sand at the proposed location.

14 Q Refer the examiner, Mr. Richards, to your
15 Exhibit Number Nine and describe that for us.

16 A Exhibit Number Nine is a structure map on
17 the top of the Wolfcamp, showing generally east regional
18 dip. The Wolfcamp producers are highlighted in pink. The
19 proposed location -- excuse me, the proposed Wolfcamp unit
20 again is outlined in yellow. Also shown by the dashed line
21 is the location of cross section A-A'.

22 Q Okay, refer to your Exhibit Number Ten
23 and tell us what you've shown on that exhibit.

24 A Exhibit Ten is a stratigraphic cross sec-
25 tion hung on top of the Wolfcamp. The Lower Wolfcamp inter

1 val in this area has been divided into three intervals,
2 first the A zone, which is only present in the TXO Delta
3 fee, Fee No. 1 Well; however, this zone thickens to the
4 south of the immediate location.

5 The B porosity zone, which is not gener-
6 ally productive in the area; however, it is well developed
7 in the Western Oil Bass No. 1 Well.

8 And the C porosity zone, which is the
9 most widespread of the Wolfcamp porosity zones, and probably
10 the primary contributor to production.

11 Also shown is the Upper Wolfcamp porosity
12 zone, which produced further to the north.

13 Q Okay. Turn to your Exhibit Number Ele-
14 ven, Mr. Richards, and describe that to us.

15 A Exhibit Number Eleven is an Isopach map
16 of net porosity in the Lower Wolfcamp B Zone. This porosity
17 interval, as stated earlier, is best developed in the Wes-
18 tern Bass No. 1 Well; however, it calculates high water sat-
19 urations from the logs and was not tested in that well.

20 The interval quickly pinches out to the
21 north and east. This interval was perforated in TXO's Delta
22 Fee No. 1 in Section 14, but does not appear to be a major
23 contributor to the total production.

24 Q Describe your Exhibit Number Twelve for
25 us, please.

A Exhibit Number Twelve is an Isopach map of the net porosity in the Lower Wolfcamp C Zone. The C Zone is the most widespread Wolfcamp producing interval in the area and is the only productive Wolfcamp zone in the wells immediately offsetting and to the north of the proposed location.

As indicated by the map, we anticipate 25 to 30 feet of Wolfcamp C Zone porosity.

Q Mr. Richards, based on your review of this information, what conclusions have you drawn in regard to the risk penalty requested in this case?

A I feel like it's a very high risk proposal.

First in the Morrow the two nearest off-setting wells, first the well in Section 2 to the north encountered 21 feet of Middle Morrow Sand, produced 300-million cubic feet. As stated earlier, that would be noneconomic.

And then the well to the south encountered only 13 feet and was nonproductive.

Also as stated, we anticipate a similar net feet of -- of Morrow, good Morrow porosity, as in the Champlin Mix-Yates Well, and it was noneconomic; therefore, the Morrow would not be sole objective.

In the Wolfcamp there is basically one

1 porosity interval that is an objective, the Wolfcamp C Zone;
2 as shown on Exhibit Twelve, I anticipate 25 to 30 feet of
3 Wolfcamp porosity, whereas the better producers had 50+ feet
4 of Wolfcamp C Zone porosity.

5 Further I feel that we'll have to have
6 had some production from both intervals, the Morrow, Mid
7 Morrow and the Wolfcamp C Zone, for this to be an economic
8 well, and both of them have risks attached.

9 Q Based on these factors, Mr. Richards,
10 what in your opinion would be an appropriate risk factor to
11 be imposed upon the non-joining parties in this well?

12 A The maximum risk penalty of 200 percent.

13 Q Were Exhibits Five through Twelve pre-
14 pared by you or under your direction and supervision?

15 A Yes, they were.

16 MR. DICKERSON: Mr. Examiner,
17 move admission of Applicant's Exhibits Five through Twelve
18 at this time.

19 MR. QUINTANA: Exhibits Five
20 through Twelve will be admitted as evidence.

21 MR. DICKERSON: And I have no
22 further questions of Mr. Richards.

23
24
25

CROSS EXAMINATION

BY MR. QUINTANA:

Q Mr. Richards, is it your testimony or --
or is it your understanding that only the Morrow formation
would be pooled and the rest of the other formations are under
agreement to be drilled by yourself and other parties?

A I don't know.

Q Let me clarify that. In other words,
everything up to the Wolfcamp formation is taken 100 percent
-- the risk is being taken by you.

A That's correct, yes.

MR. DICKERSON: So only, Mr. Examiner, the application requests pooling of any gas zones
found below the base of the Wolfcamp to the base of the Morrow
formation.

MR. QUINTANA: And those (not
clearly understood) is based on the completion of the well
to the Morrow total completion costs, including the Wolfcamp
all the way to the Morrow, right?

A Yes, it is.

MR. QUINTANA: I take it then
that the risk penalty to be assigned to this pool would apply
to the total cost of drilling the well, right, is that
what you're asking for, \$1,110,400?

1	A	Yes.
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2 MR. DICKERSON: Only in the
3 zones to be pooled are those parties interested in any man-
4 ner, though, Mr. Examiner, and you have to drill all the way
5 from the surface all the way to the bottom of this hole to
6 get it to the bottom, so there's nothing you can do but what
7 you're doing.

8 MR. QUINTANA: (Not clearly un-
9 derstood). You're probably going to take the risk to the
10 Wolfcamp anyway, the same risk, and the penalty is going to
11 be applied to the total cost, but you're going to drill to
12 the Wolfcamp anyway, I was just wondering --

13 MR. DICKERSON: These parties
14 are only to be pooled below the Wolfcamp. TXO will take 100
15 percent of the cost risk and will reap 100 percent of the
16 benefit of anything up the hole, so we're only talking from
17 the base of the Wolfcamp to the base of the Morrow, both of
18 which, as a matter of fact, you'll recall Mr. Richards tes-
19 tified that the well most likely would not be proposed nor
20 drilled if it were not for the Wolfcamp zone being the pri-
21 mary objective with the secondary zone to bear the --

22 MR. QUINTANA: I understand.

23 Any further questions of the
24 witness?

25 I have no further questions.

1 If not, you may be excused.

2 Mr. Nutter, you said you had a
3 statement?

4 MR. NUTTER: Yes, sir.

5 MR. QUINTANA: You may proceed.

6 MR. NUTTER: I'd like to call
7 the Examiner's attention to a well that's located in Unit G
8 of Section 2.

9 This well was originally com-
10 pleted as a Wolfcamp-Morrow dual completion in 1974 and was
11 connected to El Paso Natural Gas Pipeline on August the 1st
12 of '74.

13 The Wolfcamp is still producing
14 and has a cumulative production as of the end of 1984 of
15 403-million MCF and 32,600 barrels of condensate. The well
16 has the northeast quarter of the section dedicated to it.

17 The Morrow in the well last
18 produced in August of 1983 and had a cumulative Morrow pro-
19 duction of 309,589 MCF and 1366 barrels of condensate.

20 There is no evidence in the
21 well file of any physical work that's ever been done on the
22 well to actually abandon the Morrow. Now if the work has
23 not been done, under FERC rules the proration unit in the
24 north half of the section would still be active, even though
25 the State Land Office did terminate the communitization of

1 the north half of the Section 2 in October, 1983.

2 The owners in the northeast
3 quarter will not share in any Wolfcamp production; that has
4 been stated; so therefore we feel that only the incremental
5 cost of going from the Wolfcamp to the Morrow should be
6 charged to the owners in the northeast quarter.

7 We also believe that inasmuch
8 as the east half of Section 2 has already been proven pro-
9 ductive of gas in the Morrow formation that the maximum risk
10 penalty factor of 200 percent is excessive in this case and
11 that a lower risk factor should be applicable.

12 As stated by the witness, his
13 AFE was for the total cost of the well from the surface down
14 through the Morrow formation. We don't feel that the owners
15 of the northeast quarter should have to share in this total
16 AFE and at that risk penalty.

17 MR. QUINTANA: Mr. Nutter, are
18 you prepared to submit a proposed -- a recommended penalty?

19 MR. NUTTER: No, I'm not.
20 Something less than 200 percent.

21 MR. QUINTANA: Are you prepared
22 to give us your estimate of the incremental costs?

23 MR. NUTTER: No, I can't do
24 that. I don't know.

25 MR. DICKERSON: Mr. Examiner,

1 if I could --

2 MR. NUTTER: Mr. Dickerson had
3 stated awhile ago that he only expected the owners in the
4 northeast quarter to share in the cost from the base of the
5 Wolfcamp to the base of the Morrow formation, so the risk
6 factor, those costs and that risk penalty factor should be
7 applicable only in that portion.

8 MR. DICKERSON: Mr. Examiner, I
9 would like to point out -- you correct me if I'm wrong, Mr.
10 Nutter -- but it's my information that no one from Bass has
11 ever even as much as raised a peep concerning this before,
12 and as you're probably well aware, the COPAS accounting pro-
13 cedure form, there exists a COPAS accounting procedure form
14 which is designed to take care of exactly this type of ques-
15 tion. If Bass wanted to raise this question, or had they
16 ever raised it with TXO as far as discussing any middle
17 ground or anything of that nature, we would have been a lit-
18 tle better prepared on both sides to argue this.

19 So we did not even know until
20 Mr. Nutter made his statement that Bass intended to as much
21 as make a statement, and they make a statement; they're not
22 submitting any evidence. The statement which is submitted
23 is not substantial evidence to overthrow the preponderance
24 of evidence based on TXO's testimony and TXO respectfully
25 requests the 200 percent penalty.

1 MR. NUTTER: Mr. Examiner, it's
2 prima facie evidence that the owners in the northeast quar-
3 ter are not going to share the production from the -- from
4 the well as far as the Wolfcamp formation is concerned. I
5 don't think we have to submit substantial evidence in that
6 case.

7 MR. DICKERSON: Mr. Examiner,
8 Bass has not even given your office the -- anything to work
9 with. They want you to do the work. They do not even take
10 the position of recommending a certain risk penalty, nor al-
11 locating cost between the zones below the base of the Wolf-
12 camp in relation to the whole case.

13 It's the parties that come and
14 dispute these issues before this Division who have the bur-
15 den of doing such things. It's certainly not your obliga-
16 tion and that of your office to calculate for yourselves.

17 MR. QUINTANA: Bear with me
18 just a second.

19 I have a quick question and
20 maybe one of your witnesses can answer this.

21 MR. DICKERSON: Uh-huh.

22 MR. QUINTANA: Is this AFE
23 based on a drilling cost, per day drilling cost, or is it
24 based on (not understood)?

25 A WITNESS: It's day work.

1 MR. QUINTANA: I would like to
2 request that TXO Production Company submit to me an AFE
3 showing the drilling costs only up to the Wolfcamp and if
4 they don't want to, then I can calculate one myself off of
5 this. If they see different figures that they'd like to
6 submit, then they can submit them.

7 I'd like to that -- Mr. Dicker-
8 son, I'd like those figures submitted depending on what type
9 of decision I make, I guess, and I want to be prepared in
10 order that I won't have to wait for the figures at a later
11 date.

12 I can calculate --

13 MR. DICKERSON: No, but Mr. Ex-
14 aminer, I think it's misleading to calculate and allocate
15 costs to zones in cases like this based on that simple a
16 formula, and what we would propose to do is submit for the
17 Examiner's consideration the COPAS accounting procedure
18 which describes some of the problems involved in allocating
19 costs as between zones in cases such as this, so the Exami-
20 ner can see the difficulties that arise. It's not quite as
21 simple as Mr. Nutter would have us believe, as simply allo-
22 cating on a pro rata footage basis.

23 MR. QUINTANA: Would you please
24 submit that to me? I'll take this under consideration, and
25 Mr. Nutter, if you do wish to submit anything, I'll be --

1 MR. NUTTER: Fine. My state-
2 ment was based on Mr. Dickerson's previous statement that
3 the costs from the base of the Wolfcamp to the base of the
4 Morrow would be applicable to the order in the northeast
5 quarter.

6 I recognize that there are
7 COPAS accounting procedures for determining those types of
8 costs.

9 MR. QUINTANA: Is there any-
10 thing further in Case 8699?

11 If not, Case 8699 will be taken
12 under advisement pending additional data to be submitted.

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14 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division was reported by me; that the said
transcript is a full, true, and correct record of the hear-
ing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a correct and true transcript of the hearing
held on the 11th day of September, 1985, at
hears by me on SEPT. 11 1985.

Gilbert P. Quintana Examiner
Oil Conservation Division