

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

27 April 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Primary Fuels, Inc., CASE
for compulsory pooling, Lea County, 9361
New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

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For the Applicant:

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MR. STOGNER: Call next Case

3

Xumber 9361.

4

5

MR. ROYBAL: Case 9361. Appli-
cation of Primary Fuels, Inc., for compulsory pooling, Lea
County, New Mexico.

6

7

MR. STOGNER: Call for appear-

8

ances.

9

10

MR. HALL: Mr. Examiner, Scott
Hall from the Campbell & Black law firm, Santa Fe, on behalf
of the applicant, Primary Fuels, Inc.

11

12

MR. STOGNER: Are there any

13

other appearances in this matter?

14

How many witnesses?

15

MR. HALL: We have three wit-

16

nesses to be sworn.

17

MR. STOGNER: Will they please

18

rise at this time and be sworn.

19

20

(Witnesses sworn.)

21

22

KENNETH GRAY,

23

being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

24

25

DIRECT EXAMINATION

BY MR. HALL:

Q Please state your name.

A Kenneth Gray.

Q Mr. Gray, where do you live and by whom are you employed?

A I live in Midland, Texas, and I'm employed by Primary Fuels.

Q All right, Mr. Gray, have you previously testified before the Division or one of its examiners and had your credentials accepted of record?

A I have not.

Q Why don't you give the hearing examiner a brief summary of your educational background and work experience?

A I have a Master's degree in economics. I've been a landman employed in Midland for fourteen years, approximately. I've worked for Gulf, Texas Oil & Gas, Anderson Petroleum, self-employed, and I'm presently employed by Primary Fuels.

Q Have you worked in New Mexico before?

A Yes.

Q Are you familiar with the application and the subject well in this case?

1 A Yes.

2 MR. HALL: Mr. Examiner, are
3 the witness' credentials acceptable?

4 MR. STOGNER: They are.

5 Q Mr. Gray, would you please briefly
6 explain what it is the Primary seeks in this case?

7 A We're seeking to pool -- the pooling of
8 uncommitted interests for the drilling of this well.

9 Q All right. Would you identify the well
10 and its location?

11 A Okay. The well is Primary Fuels Harvard
12 No. 1. It's located 1980 from the west and 330 from the
13 south, Section 31, 18 South, 39 East, with the unit being
14 the southeast quarter of the southeast quarter 40-acre
15 tract.

16 Q All right. Let's look at Exhibit Number
17 One. If you would explain that to the Examiner, please.

18 A Okay. Exhibit Number One is a plat
19 prepared by Midland Map. On it it has the ownership in a
20 40-acre tract, listed at the top with Primary Fuels having
21 approximately 76 percent, and it has the notices of all
22 parties with the exception of John Bayz, whose address is
23 unknown.

24 And then it has our proposed well as
25 previously indicated, and then it has the present wells

1 producing from the Foster San Andres Field, being three
2 wells, one operated by Anadarko, one by Texas American, and
3 one by Martindale.

4 Q Will the proposed well be drilled at a
5 standard location?

6 A Yes, it will.

7 Q All right. Mr. Gray, what is the per-
8 centage of interest voluntarily committed to this well at
9 present?

10 A At the present time Primary Fuels has 76
11 percent that is committed, approximately.

12 Q All right. If you would, refer back to
13 Exhibit One and explain which of the interest owners are
14 and are not committed.

15 A The first one after Primary Fuels is M.
16 Brad Bennett, Inc.. At the present time he is not commit-
17 ted. In talking with him, chances are that he will join
18 with us; however, at this time he has not committed.

19 Q Horton Brothers, has returned an AFE
20 which indicates they will participate but at this time they
21 have not committed, since we do not have a signed joint
22 operating agreement.

23 And Anadarko, being the next party, has
24 not committed as of this date. We have reason to believe
25 they will, but they have not.

1 And the last party, being John Bayz, we
2 have made a diligent attempt to find him and have been un-
3 able to do so; therefor, his interest, which is in fee, is
4 presently uncommitted.

5 Q All right. Let's look at Exhibit Two.
6 If you would explain what that is to the Examiner, please.

7 A Exhibit Two is -- are letters to the par-
8 ties involved. Of course, that would exclude John Bayz,
9 since we could not locate him.

10 The first letters out to the parties are
11 dated on March the 3rd, 1988, wherein we ask them to parti-
12 cipate with us. As an alternative they could farm out to
13 us. We did send them an AFE at that time.

14 And a later letter on April the 19th, we
15 provided each party with a copy of our proposed joint oper-
16 ating agreement.

17 Q All right, what efforts have you made to
18 locate John Bayz?

19 A We have -- the only thing we've been able
20 to find of record on John Bayz is an affidavit signed by his
21 half brother, who has no -- does not know of his where-
22 abouts. We've asked a private investigator to see if he
23 could find him for a couple days, and we were unsuccessful.

24 Q All right. Let me show you what's been
25 marked Exhibit Three. Is Exhibit Three an affidavit executed

1 by you by which you directed your counsel to provide notice
2 of this hearing to the affected interest owners?

3 A Yes, it is.

4 Q All right. Mr. Gray, have you made an
5 estimate of overhead and administrative costs while drilling
6 this well and also while producing this well if it's a suc-
7 cessful well?

8 A Yes, sir.

9 Q What are those costs?

10 A We have a drilling well rate of 4500 and
11 a producing well rate of 450.

12 Q All right, and are those costs in line
13 with what's being charged in the area by other operators?

14 A Yes, sir.

15 Q Do you recommend that those costs be in-
16 corporated into any order that results from this hearing?

17 A Yes, sir.

18 Q And does Primary Fuels seek to be desig-
19 nated operator of the proposed well?

20 A Yes, they do.

21 Q Were Exhibits One through Three prepared
22 by you or at your direction?

23 A Yes, sir.

24 Q Mr. Gray, in your opinion will granting
25 the application be in the best interests of conservation,

1 the protection of correlative rights, and prevention of
2 waste?

3 A Yes.

4 MR. HALL: At this point we'd
5 move the admission of Exhibits One through Three and that
6 concludes our direct of this witness.

7

8 CROSS EXAMINATION

9 BY MR. STOGNER:

10 Q Mr. Gray, on Exhibit Number Two, the
11 first page there, that was your letter to Mr. (unclear) on
12 April 19th, 1988. You talked about various telephone con-
13 versations.

14 A Yes, sir.

15 Q Were you referring to telephone conversa-
16 tions made after the March 3rd date or before?

17 A Both.

18 Q Both, okay.

19 A Yes, we've had numerous conversations.

20 Q But your letter of March 3rd, that was
21 the first written correspondence you had with any of these
22 interest owners, is that correct?

23 A That's the first written, yes.

24 Q Okay. Can you give me a little bit of
25 background on the telephone conversations, maybe when they

1 first started, what the gist of the conversations were?

2 A Would you like me to address each party,
3 is that --

4 Q Did you call them? Did you try to get
5 hold of them all about the same time --

6 A Yes, sir.

7 Q -- on the telephone?

8 A Pretty much.

9 Q About when was your first communication?

10 A Well, with Brad Bennett, he would --
11 would have probably been earlier, oh, probably early Febru-
12 ary or mid-February, guessing, but he had leased some inter-
13 ests in there that we thought were still available and when
14 approached the fee owners we found out that Brad Bennett had
15 leased them the week before and that's when our initial con-
16 tact was made with him, and he, at the time, he said he de-
17 finitely wanted to participate with us, and he still indi-
18 cates that but he's -- but he has not signed an AFE or sent
19 back an operating agreement yet.

20 Q Okay, how about Anadarko? Did you have a
21 telephone conversation with any of their people?

22 A Yes, I have. In fact, they've been very
23 cooperative. I have my title opinion drill site is an up-
24 date from Anadarko's opinions, so I had communicated with
25 them earlier, also.

1 Q Can you -- do you remember when, roughly?
2 A Probably about February, mid-February.
3 Q And who did you talk to with Anadarko?
4 A I talked to Mike Goode and Wayne Wheelis,
5 both.
6 Q Okay, Mike Goode?
7 A Yeah. Mike Goode is the head landman for
8 Anadarko and Wayne --
9 Q How do you spell his last name?
10 A It's G-O-O-D-E.
11 Q Okay, and the other person?
12 A Wayne Wheelis. That's the party -- the
13 person who the letter is addressed to, I believe.
14 Q Have you talked to any of these parties
15 today?
16 A Those two individuals today, no, I have
17 not.
18 Q Have you talked to anybody from Anadarko
19 today?
20 A Yes.
21 Q Let's see, I've got a letter here from
22 Roy Barton --
23 A Yes.
24 Q That you included in Exhibit Two.
25 A Yes.

1 Q Is -- now he agreed, is that correct?

2 A Yes. He returned an AFE, signed it and
3 returned it, and I have every reason to believe that, of
4 course, he will participate with us as a result of that let-
5 ter, but we still don't have a signed operating agreement.
6 I -- I would believe that's probably a formality, but we
7 haven't solved that problem yet.

8 We have no reason to believe that he
9 won't sign our agreement.

10 Q Oh, you just haven't gotten anything
11 written form him yet.

12 A Well, we're only talking April 19th, you
13 know, is when it went out.

14 Q Okay.

15 A So.

16 Q But that's the reason whenever you said
17 76 percent has been committed --

18 A That's -- that's primaries, yes.

19 Q What was Mr. Bayz last known address?

20 A It was with his parents in -- I have it
21 -- it was in the State of Maryland.

22 Q And that's where you instituted your
23 search with your private investigator?

24 A Yes, sir.

25 Q What was his last known address? I mean

1 how -- how long ago was that his address?

2 A It was -- it was that in 1967.

3 Q So that's the last known place that he
4 was known.

5 A Yes. That was actually the address of
6 his father in 1967.

7 MR. STOGNER: I have no further
8 questions of Mr. Gray.

9 Are there any other questions
10 of this witness?

11 MR. HALL: No, sir.

12 MR. STOGNER: He may be ex-
13 cused.

14 We'll admit Exhibits One, Two
15 and Three into evidence at this time.

16
17 FREY N. RAD,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

20

21 DIRECT EXAMINATION

22 BY MR. HALL:

23 Q For the record, state your name.

24 A My name is Frey Rad.

25 Q And, Mr. Rad, where do you live and by

1 whom are you employed?

2 A I live in Midland, Texas; employed by
3 Primary Fuels, Inc.

4 Q Have you previously testified before the
5 Division or one of its examiners and had your credentials
6 accepted?

7 A Yes.

8 Q And are you familiar with the application
9 in this case and the subject well?

10 A Yes.

11 MR. HALL: Are the witness'
12 credentials acceptable, Mr. Examiner?

13 A Mr. Rad's qualifications are so accepted.

14 MR. HALL: Thank you.

15 Q Mr. Rad, let's look at what's been marked
16 as Exhibit Four. If you would identify that and explain
17 that to the Examiner, please.

18 A Exhibit Four is a copy of the AFE pre-
19 pared by the Drilling Department of the Primary Fuels, re-
20 flecting the cost for drilling a 4550 foot San Andres com-
21 pletion at the location previously described by Mr. Gray.
22 This AFE reflects a total cost of dry hole costs in the
23 amount of \$96,978 and a total completion cost of \$76,321;
24 equipment and leasehold facilities to handle the production
25 in the cost of \$68,425; for a total AFE to drill and com-

1 plete and equip this well for \$241,724.

2 Q Now, were these cost figures on Exhibit
3 Four compiled by you or at your direction?

4 A I was involved in the preparation of
5 these numbers, yes.

6 Q All right. Are the costs in line with
7 what's being charged in the area --

8 A Yes --

9 Q -- by other operators?

10 A -- they're very much competitive.

11 Q All right. Would you explain, what has
12 Primary's experience been in drilling wells in New Mexico?

13 A Well, we have had, as far as Primary
14 Fuels direct involvement in New Mexico has been somewhat
15 limited. We are very active in Texas. We're trying to get
16 into New Mexico. The people that are employed by Primary
17 Fuels, like myself, I have worked in Hobbs for the past six
18 years and I've been involved in a lot of operations

19 Currently Primary Fuels is developing a
20 Delaware Sand and some Morrow Sand south of Carlsbad. We
21 have a very active development, drilling program there; spe-
22 cifically speaking, in areas where this well is being dril-
23 led, this would be our first well.

24 Q All right, is Primary seeking a risk pen-
25 alty to be assessed against the nonconsenting working inter-

1 est owners?

2 A Yes, we are.

3 Q And what is that risk penalty?

4 A We -- we are recommending and seeking the
5 200 percent penalty for this well.

6 Q Now, upon what do you base that 200 per-
7 cent penalty recommendation?

8 A Well, there's quite a bit of risk from a
9 geological and also reservoir in this well. We are offset-
10 ting an Anadarko well that is producing more than 700 barrel
11 of water per day when it's only making about 65 to 70 barrel
12 of oil per day.

13 So we could easily from a geological
14 standpoint of view be down structure from that well and have
15 a dry -- have a dry hole or a well that only would make 100
16 percent water.

17 So there's quite a bit of risk involved.

18 Q So there is a chance that you could drill
19 a commercially unsuccessfully well?

20 A Yes, but there is also a 50 percent
21 chance that we would have a commercial well, yes.

22 Q All right. In your opinion, Mr. Rad,
23 will the granting of this application be in the best inter-
24 ests of conservation, the prevention of waste, and protec-
25 tion of correlative rights?

1 A Yes.

2 Q And was Exhibit Four prepared by you or
3 at your direction?

4 A Yes.

5 MR. HALL: We'd move the intro-
6 duction and we have nothing further of this witness.

7 MR. STOGNER: Exhibit Four will
8 be admitted into evidence at this time.

9

10 CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q Mr. Rad, I'm looking at Item number 23,
13 Miscellaneous costs and contingencies.

14 A Yes, sir.

15 Q Am I reading that right, .15 percent or
16 should that be 15 percent?

17 A I think that's 15 percent, yes, sir.

18 Q Now it was 20 percent but it has been
19 marked out to go with 15.

20 A Well, the 20 percent, this is, you know,
21 this is a 4500 foot well, you know. If it -- if it was
22 deeper, around 10,000 to 15,000 we normally use 20 percent.
23 This is shallower than some of the deeper wells and we feel
24 that 15 percent contingency would be ample.

25 Q Maybe you're not the person I need to ask

1 this, but what -- do you know what the closest producing San
2 Andres well is from your proposed well?

3 A I cannot give you the exact measurement
4 but that would be Anadarko Well, the closest to us, and the
5 next witness, who will cover the geological portion of this
6 testimony would -- would show that on his maps and that
7 would clearly show where the well is.

8 Q Okay.

9 A It would be hard to see on the map that
10 you have at this point.

11 MR. STOGNER: I have no further
12 questions of Mr. Rad at this time.

13 Are there any other questions
14 of this witness?

15 MR. HALL: No, sir.

16 MR. STOGNER: He may be ex-
17 cused.

18
19 DEAN BOUNDY,
20 being called as a witness and being duly sworn upon his oath,
21 testified as follows, to-wit:

22

23 DIRECT EXAMINATION

24 BY MR. HALL:

25 Q For the record please state your name.

1 A Dean Boundy.

2 Q Mr. Boundy, where do you live and by whom
3 are you employed?

4 A Midland, Texas. Primary Fuels, Incorporated.
5

6 Q All right. Have you previously testified
7 before the Division?

8 A Yes, I have.

9 Q And are you familiar with the application
10 in this case and the subject well?

11 A Yes.

12 MR. HALL: Mr. Examiner, are
13 the witness' credentials acceptable?

14 MR. STOGNER: Mr. Boundy is so
15 qualified.

16 Q Mr. Boundy, let me ask you, as well, what
17 is the basis for Primary's recommendation that a 200 percent
18 risk penalty be imposed against the nonconsenting working
19 interest owners?

20 A Okay. Geologically, our proposed location
21 here appears to have considerable risk and in order to
22 show this risk I have prepared two separate maps using the
23 exact same control information for all the wells that are
24 shown on the map.

25 And the first one, Exhibit Number Five,

1 is what I would call the optimistic interpretation.

2 On it you can see where the Primary Fuels
3 Harvard No. 1 location is located immediately west of the
4 Anadarko producing well and that location, according to this
5 interpretation, would be approximately 20 feet structurally
6 high to the Anadarko well and the location would be located
7 on the east flank of the -- of a closed anticline, and if
8 this interpretation is correct, being up dip from the Ana-
9 darko well, we would anticipate that we would get a well
10 that would be equal to or better than their well.

11 Q All right. Let's look at Exhibit Six and
12 explain what that shows.

13 A Exhibit Number Six utilizes once again
14 the, all of the same wellsite control points only this is
15 what I would call the conservation interpretation, and on it
16 the way it's drawn, the Anadarko well is located very near
17 the crest of the anticline that controls the production and
18 as you move westward from their well towards the proposed
19 Harvard No. 1 location, you're going to be going down dip
20 about 20 feet, and if this true and you actually go down dip
21 20 feet, that would make that well, then be structurally on
22 alignment with additional wells, which have resulted in 100
23 percent water production and been dry holes.

24 And at this juncture, without any seismic
25 information or anything else to further define which inter-

1 pretation is going to be correct, we have no way of knowing
2 how it's going to end up.

3 Hopefully, we think it's going to be the
4 optimistic way but it could very well be that we'd end up
5 being down dip and we'd have a dry hole.

6 Q Okay. Based upon the known geologic data
7 that you've had a chance to examine, do you believe that
8 there is a significant chance that the well will be drilled
9 as a noncommercial producer -- a noncommercial well?

10 A Yes, there is. There is a strong chance,
11 uh-huh.

12 Q All right. Do you have anything further
13 to add?

14 A No, I don't believe so.

15 Q Okay. Mr. Boundy, in your opinion will
16 the granting of Primary's application be in the best inter-
17 est of conservation, the prevention of waste, and protection
18 of correlative rights?

19 A Yes, sir.

20 Q And were Exhibits Five and Six prepared
21 by you or at your direction?

22 A Yes, uh-huh.

23 MR. HALL: Mr. Examiner, we'd
24 move the admission of Exhibits Five and Six and that con-
25 cludes our direct of this witness.

1 MR. STOGNER: Exhibits Five and
2 Six will be admitted at this time.

3

4 CROSS EXAMINATION

5 BY MR. STOGNER:

6 Q Mr. Boundy, what's that box in the middle
7 of your map?

8 A That's our -- these maps are maps that we
9 have prepared not only for this hearing but for -- for in-
10 ternal use, and that box is our proposed working interest
11 unit for the people that we bring into this prospect with
12 us.

13 Q So that doesn't really have any bearing.

14 A Right, it has nothing to do with this nor
15 does that cross section line --

16 Q Okay.

17 A -- that wanders across there.

18 Q Let's talk about that Anadarko well to --

19 A Uh-huh.

20 Q -- to the east of there. How long has
21 that been producing?

22 A I believe that well was completed in
23 1984. It started off as a well that was originally making
24 something like 18 barrels of oil a day and a lot of water
25 and very little gas, and -- but it's one of these instances

1 where as you continue to produce something it gets better
2 instead of worse and as they have continued to produce that
3 well, and they've periodically gone in and done things to
4 increase the pump size and one thing and another, and they
5 have the production up right now to where -- I checked with
6 them just before we came to the hearing here, and during the
7 month of March, which -- during which time the production
8 was limited to 22 days, that well produced 1500 barrels of
9 oil, 18,300,000 cubic feet of gas, and approximately 20,000
10 barrels of water.

11 Q Now all the wells that is north of here
12 about 3/4 of a mile or a mile --

13 A Uh-huh.

14 Q -- is that the old East Hobbs San Andres
15 Pool?

16 A Yes, sir, uh-huh.

17 Q Are there -- there's a few producing
18 wells still in the southern portion of this pool, is that
19 correct?

20 A Yes, that is correct.

21 Q How old is that pool, do you know?

22 A On the map it shows that 1951 was the
23 discovery date.

24 Q Okay.

25 A It says East Hobbs Field there in 1951.

1 Q '51, okay.

2 A Uh-huh. The field is in its latter
3 stages of depletion but it's been a great field. The wells
4 in there average -- well, I've got it up here at the top,
5 they average 200,000 barrels of oil per well.

6 Q Now are you showing any kind of connec-
7 tion between that pool and your particular well or the --

8 A I doubt that there's any connection be-
9 cause you see that Pan American Goode No. 1 Well, which
10 would be located in the south half of Section 31?

11 Q Uh-huh.

12 A That well is a dry hole at a subsea datum
13 of -859, and it looks like that well defines a structural
14 saddle that probably separates the production from these two
15 areas, but there has to be some degree, though, of communi-
16 cation between the two areas because when Anadarko drilled
17 their well, they ran the drill stem test across the San An-
18 dres and -- and they had pressures in that that were, as I
19 recall, 4-or-500 pounds, and which is considerably less than
20 what virgin pressure for the area would have been.

21 Q Now the closest well to the west is the
22 one it appears that's in Section 36; looks like it's right
23 in the middle of -- of a section.

24 A Yes, sir.

25 Q Was that a San Andres test, also?

1 A Yes, it was a San Andres. Well, they'd
2 actually drilled the well down deeper and looked at the
3 Blinebry and some other zones, but they ended up coming back
4 up the hole and making a completion attempt in the San An-
5 dres.

6 They put a pump on the well and and they
7 pump tested it for about a 20-day period. At the end of
8 that time it was pumping 50 barrels of water a day with a
9 trace of oil.

10 Q Did it look like that this was an off-
11 shoot of the San Andres formation, that play, or --

12 A Well, with that small amount of oil, you
13 can't -- you -- there's two ways to look at it. If you --
14 if you go off the optimistic interpretation you can say,
15 well, that well's right out at the edge of this anticline
16 and that small amount of oil that they were recovering was
17 oil that was located at or near the -- right at the
18 oil/water contact.

19 But on the other hand, when you get into
20 an area like this and you've had all the oil that's migrated
21 through this area, for instance, from this area on up to the
22 -- to the Hobbs Field immediately to the west, it's not un-
23 common to get small amounts of oil that will be trapped in
24 -- in some portion of a tighter part of the rock, and when
25 you start producing it you get a little bit of oil back but

1 it's never anything that really amounts to something.

2 MR. STOGNER: I have no further
3 questions of this witness.

4 Are there any other questions
5 of Mr. Boundy?

6 MR. HALL: We have nothing fur-
7 ther.

8 MR. STOGNER: The witness may
9 be excused.

10 Mr. Hall, I have a couple more
11 questions of Mr. Gray.

12 Will you recall him?

13 MR. HALL: Yes.

14

15 KENNETH GRAY RECALLED,

16 and remaining under oath, testified as follows, to-wit:

17

18 RECROSS EXAMINATION

19 BY MR. STOGNER:

20 Q Mr. Gray, you're requesting overhead
21 charges of 4500 and 450, is that correct?

22 A Yes, sir.

23 Q Has Primary Fuels, have they been a wor-
24 king interest in any of the other Anadarko wells or any
25 other wells in this particular area?

1 A No, sir.

2 Q So this is your, this is Primary Fuels
3 first attempt in this area, whether it be a working interest
4 owner in another well, or being an operator, is that cor-
5 rect?

6 A Yes, sir.

7 Q Okay. Does Primary Fuels operate any
8 other San Andres wells in New Mexico?

9 A Not to my knowledge.

10 Q Does Primary Fuels -- do they have a
11 working interest in any San Andres formation wells in Lea
12 County?

13 A I really don't -- I am unaware of that.

14 Q What I'm getting at is --

15 A You're trying to justify those rates?

16 Q Yes, that's what I'm trying to do.

17 A Let me just explain it. Myself and Mr.
18 Boundy, we're associated with a company called Edmundson and
19 Associates and we were on a retainer for Primary for a
20 number of years, and we were their first representation in
21 the Permian Basin about 4-1/2 years ago.

22 So I have been in Midland all that time
23 and so I rely on my own expertise to try and come up with
24 those numbers.

25 As far as Anadarko's well, they have an

1 '84 operating agreement. They have the rate of 430 produc-
2 ing well rate in their agreement dated in 1984, and I chec-
3 ked with other people that I am familiar with, Texas Oil &
4 Gas, for example, who operates numerous wells all over.
5 They have, in 1987, 4000 feet, zero to 4, they had a 4300
6 and 430, and for over 4000 they had 5850 and 585.

7 I guess I personally feel very comfort-
8 able with those numbers because of the other people that I
9 know that operate in the Permian Basin for those wells.

10 Q Has this been an issue with any of the
11 parties that you have been dealing with?

12 A Not to this point, no, it has not.

13 MR. STOGNER: Okay, I have no
14 further questions of Mr. Gray.

15 Are there any other questions
16 of this witness or any of the other witnesses?

17 Mr. Hall, do you have anything
18 further in this case?

19 MR. HALL: No, sir.

20 MR. STOGNER: Case Number 9361
21 will be taken under advisement.

22
23 (Hearing concluded.)
24
25

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 (Commission) was reported by me;
that the said transcript is a full, true, and correct record
of the hearing, prepared by me the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9361,
heard by me on 27 April 1988,
Michael J. Starnes, Examiner
Oil Conservation Division