

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 DOYLE HARTMAN, OIL)
OPERATOR, FOR SIMULTANEOUS DEDICATION,)
AN EXCEPTION TO RULE 3(D) OF THE SPECIAL)
RULES AND REGULATIONS OF THE EUMONT GAS)
POOL, LEA COUNTY, NEW MEXICO)

CASE NO. 13,050

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

July 24th, 2003

AUG . 7 2003

Santa Fe, New Mexico

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 24th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

July 24th, 2003
 Examiner Hearing
 CASE NO. 13,050

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>STEVE HARTMAN</u> (Engineer)	
Direct Examination by Mr. Gallegos	5
Examination by Mr. Bruce	28
Examination by Examiner Stogner	30
REPORTER'S CERTIFICATE	44

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	28
Exhibit 2	7	28
Exhibit 3	9	28
Exhibit 4	10	28
Exhibit 5	12	28
Exhibit 6	14	28
Exhibit 7	16	28
Exhibit 8	16	28
Exhibit 9	17	28
Exhibit 10	21	28
Exhibit 11	24	28
Exhibit 12	26	28
Exhibit 13	26	28
Exhibit 14	27	28
Exhibit 15	27	28
Exhibit 16	28	28

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

GALLEGOS LAW FIRM
460 St. Michael's Drive, #300
Santa Fe, New Mexico 87505
By: J.E. GALLEGOS

FOR KERR-MCGEE OIL AND GAS ONSHORE, L.L.C.:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 1:28 p.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. At this time I'll call Case Number 13,050. This is
5 the Application of Doyle Hartman, oil operator, for
6 simultaneous dedication, an exception to Rule 3(D) of the
7 Special Rules and Regulations of the Eumont Gas Pool, Lea
8 County, New Mexico.

9 Call for appearances.

10 MR. GALLEGOS: Mr. Examiner, I'm Gene Gallegos,
11 Santa Fe, New Mexico, appearing on behalf of Doyle Hartman,
12 oil operator.

13 EXAMINER STOGNER: Any other appearances?

14 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
15 appearing on behalf of Kerr-McGee Oil and Gas Onshore,
16 L.L.C.

17 EXAMINER STOGNER: Anybody else? I mean, is that
18 the only represen- --

19 MR. BRUCE: Yeah.

20 EXAMINER STOGNER: Okay, no other appearances.
21 Do you have any witnesses?

22 MR. BRUCE: I have no witnesses.

23 MR. GALLEGOS: The Applicant has one witness,
24 Steve Hartman, we call.

25 EXAMINER STOGNER: Please stand to be sworn at

1 this time.

2 (Thereupon, the witness was sworn.)

3 STEVE HARTMAN,

4 the witness herein, after having been first duly sworn upon
5 his oath, was examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. GALLEGOS:

8 Q. Would you state your name, please?

9 A. Steve Hartman.

10 Q. Where do you live, Mr. Hartman?

11 A. Midland, Texas.

12 Q. What is your employment?

13 A. I'm a petroleum engineer and I work for my
14 father, Doyle Hartman.

15 Q. How long have you worked for Doyle Hartman?

16 A. About 10 years.

17 Q. In that time, what have your general duties been?

18 A. Just about everything, but my main title is
19 petroleum engineer. You know, I do computer programming,
20 all kinds of stuff, but mainly petroleum engineer.

21 Q. Are you thoroughly acquainted with the
22 Application that's pending here today?

23 A. Yes.

24 Q. And do you have personal knowledge of the
25 particular 320-acre proration unit and the wells that are

1 the subject of this proceeding?

2 A. Yes.

3 Q. Have you previously testified before this
4 Division and had your credentials accepted to permit you to
5 testify as an expert witness?

6 A. Yes.

7 MR. GALLEGOS: Mr. Examiner, we tender Mr.
8 Hartman as an expert to give petroleum-engineering opinion.

9 EXAMINER STOGNER: Well, let's see, you said
10 you've worked Mr. Hartman 10 years. Now, how long have you
11 known Mr. Hartman?

12 THE WITNESS: All my life.

13 EXAMINER STOGNER: And you've worked with him
14 probably all that time. You haven't -- You've only been
15 paid by him the last ten years?

16 THE WITNESS: Yeah, pretty much.

17 (Laughter)

18 EXAMINER STOGNER: Okay, so qualified.

19 MR. GALLEGOS: Don't say all your life, because
20 that's not over yet.

21 EXAMINER STOGNER: So noted, today's not over.

22 Q. (By Mr. Gallegos) All right, Mr. Hartman, let's
23 take first of all Exhibit Number 1. What is that?

24 A. It's an acreage ownership plat covering parts of
25 Township 20 South, Range 36 East and Range 37 East.

1 Q. Is this 320-acre proration unit a federal lease?

2 A. Yes, it is.

3 Q. And is it -- Are the wells that are in question
4 productive from the Eumont Gas Pool?

5 A. Yes, they are.

6 Q. Does Exhibit Number 1, beside providing
7 information as to the location, name of the wells, also
8 bear legend information as to pertinent Oil Conservation
9 Commission orders or administrative orders that bear on the
10 location of wells and --

11 A. Yes, it does.

12 Q. When did Doyle Hartman -- I'll refer to this 320
13 acres as the Britt lease, if we may have that
14 understanding. When did Doyle Hartman become operator of
15 the Britt lease?

16 A. Approximately July 1st, 1996.

17 Q. Who had been the operator prior to that time?

18 A. Meridian, or Burlington Resources.

19 Q. When Doyle Hartman took over as operator, was
20 Order Number R-5448 in Case Number 5935 already in place?

21 A. Yes, it was.

22 Q. Is a copy of that provided for the Examiner as
23 Exhibit Number 2?

24 A. Yes, it is.

25 Q. And briefly, what was the effect of Order R-5448,

1 which was entered June 8, 1977?

2 A. It approved the 320-acre nonstandard H.M. Britt
3 Eumont proration unit, and it also simultaneously dedicated
4 the production from the Number 3 and the Number 12 well to
5 that Eumont proration unit, and it also approved the
6 nonstandard location for the H.M. Britt Number 12.

7 Q. Now, as Doyle Hartman took over operation, what
8 was the actual status, as far as the existence of any
9 producing wells on the Britt lease?

10 A. The only two wells that were producing at the
11 time were the 3 and the 12, and then there were
12 approximately -- let me see -- eight other inactive
13 wellbores --

14 Q. Okay, had some of those --

15 A. -- at the time.

16 Q. -- had of those wells been inactive for 20 or 30
17 years?

18 A. Yes, yes.

19 Q. And were there many wellbores that were completed
20 to oil-productive intervals rather than gas intervals?

21 A. Yeah, they're either Eunice-Monument, which is
22 Grayburg-San Andres, or the Monument-Blinbry.

23 Q. And in 1996 did Doyle Hartman TA the Number 5
24 well?

25 A. Yes, we did, roughly like November 1996. We were

1 working on the -- we'd gone out to work on the 3 and the 12
2 Eumont wells, and at the same time we had to go out and
3 temporarily abandon the Number 5.

4 Q. Okay. So as we follow this historically, as far
5 as Eumont gas wells, at that time there was only the Number
6 3 and the Number 12 --

7 A. Yeah.

8 Q. -- that were producing?

9 A. Yes, that's correct.

10 Q. Is that the fact? All right.

11 What is Exhibit Number 3?

12 A. Exhibit Number 3 is the administrative order
13 approving the simultaneous dedication of the H.M. Britt
14 Number 1.

15 Q. Okay, and explain to the Examiner, what were the
16 facts concerning the Number 1 well?

17 A. In 1999, kind of at the behest of the BLM, or at
18 their request, we start addressing all the temporarily
19 abandoned or shut-in wellbores on the Britt lease, and
20 that's when we went in to rework the Number 1, recomplete
21 it to the Eumont.

22 Q. Okay. Did Doyle Hartman begin to receive those
23 warning notices from the BLM of noncompliance that
24 basically say do something with the well or --

25 A. Yeah, pretty much since we took over operations.

1 Q. Okay. So following Order SD-99-9, were the facts
2 that there were then three productive wells?

3 A. Yes, I'd say, three productive Eumont wells.

4 Q. All right. And then what happened, if you would
5 just historically trace for the Examiner the work that was
6 done in light of the BLM notices?

7 A. As I said, since we took over operations we'd
8 been receiving the BLM notices of noncompliance, to return
9 these shut-in or inactive wellbores -- either plug and
10 abandon them or return them to beneficial use.

11 So going from there, in about, oh, spring of
12 2001, we'll say, April, May, we started an extensive rework
13 project on the H.M. Britt lease to bring those wellbores
14 into compliance.

15 Q. Okay. And does Exhibit Number 4 reflect that in
16 August of 2002 Doyle Hartman applied to the Oil
17 Conservation Division for simultaneous dedication of some
18 of these additional wells that were being reworked and
19 recompleted?

20 A. Yes, yes, it does.

21 Q. And is it a fact that that administrative order,
22 which is Exhibit Number 4, approved the simultaneous
23 dedication of Wells 1, 3, 4, 5, 12 and 14?

24 A. Yes.

25 Q. Okay, but did it also deny the dedication of the

1 circumstances where there were two wells on one 40-acre
2 tract?

3 A. Yes, yes.

4 Q. And that would have been Well Number 2 and the --

5 A. Well Number 11.

6 Q. -- and the Number 12. Well, the Well Number 2
7 and the Well Number 12 --

8 A. Are in the same 40-acre tract.

9 Q. And is it a fact that the Well Number 11 and the
10 Number 3 are on the same 40-acre tract?

11 A. Yes, they are. Yes.

12 Q. So at that point the production from either one
13 of those wells was not allowed by the order that's
14 exemplified as Exhibit Number 4?

15 A. Yes.

16 Q. Is that the status?

17 A. Yes.

18 Q. Okay. And as a result, was the Well Number 12
19 temporarily abandoned, when the Number 2 came on?

20 A. Well, when we first brought the Number 2 on, the
21 Number 12 had been temporarily abandoned -- or -- yes,
22 temporarily abandoned. And then after we sent our sundry
23 notice in to the BLM, they requested like a time frame when
24 we'd return that well to production, and then that's when
25 we decided that we would re-enter the Number 12 and

1 recomplete it as an upper Eumont gas well.

2 Q. And what action was taken in regard to the Number
3 11 and Number 3 wells?

4 A. In regard to the Number 11 and Number 3, we
5 temporarily abandoned the Number 3 well.

6 Q. What is Exhibit Number 5, Mr. Hartman?

7 A. Exhibit Number 5 is -- it's not all the notices
8 we received from the BLM concerning the H.M. Britt lease,
9 but it's a good sampling, stating that wellbores are shut
10 in, temporarily abandoned without approval, you need to
11 seek approval or return the well to beneficial use or plug
12 and abandon it.

13 Q. Okay. And these notices basically state that the
14 operator is in violation --

15 A. Yeah.

16 Q. -- and to be relieved from violation, one action
17 or the other has to be taken?

18 A. Yes.

19 Q. Now, do you understand that this Application asks
20 for the Division to permit an exception to Rule 3(D) of the
21 Rules and Regulations of the Eumont Gas Pool in the
22 following respects: Number 1, to permit the H.M. Britt
23 Number 2 and the Britt Number 12 to be produced from the
24 same 40-acre tract? That's the northeast quarter of the
25 northwest quarter of Section 7?

1 A. Yes.

2 Q. And do you understand that this Application also
3 asks to replace the H.M. Britt Number 3 with the Britt
4 Number 11 well?

5 A. Yes.

6 Q. Okay. Let's, then, turn our attention to the
7 request concerning the Number 2 and the Number 12 wells,
8 Mr. Hartman. As a little bit of background, is it a fact
9 that various geologic intervals that comprise the Eumont
10 Gas Pool have a total thickness of approximately 1000 feet?

11 A. Yes, give or take a little bit.

12 Q. Okay. Are the Number 2 and the Number 12 wells
13 actually productive from the same geologic intervals?

14 A. Not from the same geologic strata, but they're
15 producing from within the same pool.

16 Q. Okay. What horizon is the Number 2 producing
17 from?

18 A. The H.M. Britt Number 2, originally it was a
19 replacement well for the Britt Number 12, and it's
20 producing out of the lower Eumont, which is basically the
21 Queen-Penrose.

22 Q. All right. And I'm going to refer you to some
23 exhibits here, but just generally, then, is the Number 12
24 producing from upper formations?

25 A. Yes, it's producing from the Yates-Seven Rivers.

1 Q. All right, what does Exhibit Number 6 illustrate?

2 A. Exhibit Number 6 is a cross-section of the H.M.
3 Britt Number 2 and the H.M. Britt Number 12 wells, and we
4 show geologic tops, production perfs, squeeze perfs, and
5 also, in the Number 12 particularly, this -- I believe it's
6 a neutron, it looks like our gamma-ray/neutron. You can
7 see the casing collar locator over there by the gamma-ray,
8 and down there in the -- like the Queen, Penrose, Grayburg,
9 you can see like severe evidence of corrosion. Like I
10 said, you can see where we put squeeze perfs in and
11 squeezed them off.

12 Q. Okay, let's --

13 A. You can also see which part of the hole is open
14 in each wellbore.

15 Q. Okay, let's take this a step at a time. There's
16 a dotted line that goes horizontally across the middle of
17 these cross-sections. What is the purpose of that
18 demarcation?

19 A. That's to show that -- well, in each well, or you
20 can see on each log that -- above that line in the Number
21 12, you can see what is open, what's been perforated.
22 Below that you can see what's shut off. And in the Number
23 2, on the Number 2 log, you can see which perfs are open,
24 and you can also see that above that line there's nothing
25 open.

1 Q. Okay, so is that line meant to demonstrate the --

2 A. Yeah, the difference between the -- probably the
3 lower Eumont and the upper Eumont.

4 Q. All right. And on the left-hand, so, then, you
5 have the log of the Number 2 --

6 A. Yes.

7 Q. -- and that demonstrates that it is open only to
8 the lower intervals of the --

9 A. Yes.

10 Q. -- Eumont Gas Pool?

11 A. Yeah.

12 Q. And then the middle cross-section was the
13 original Eumont completion interval; is that correct?

14 A. Yeah, that's correct.

15 Q. All right, and --

16 A. In the Number 12 well.

17 Q. In the Number 12. And then the right-hand, the
18 Number 12 shows that the lower perms have been squeezed
19 off --

20 A. Yes.

21 Q. -- on the Number 12?

22 A. Yes.

23 Q. So it is only open to the Seven Rivers --

24 A. -- and the Yates.

25 Q. -- and the Yates portion of that pool.

1 Now, what is Exhibit Number 7? And let's lay 7
2 and 8 side by side, I think, would be the best way to
3 address it, and just describe for the Examiner what's shown
4 by the --

5 A. Exhibits 7 and 8 are the wellbore schematics for
6 the Britt Number 2 and the Britt Number 12, respectively,
7 and basically it shows the condition of the wellbore, where
8 the pipe is set, how much cement was pumped, you know. It
9 shows where we've tried to repair the original cement and
10 cement jobs, and it shows where the production perfs are,
11 how it was stimulated.

12 Q. Okay. If we take -- And the sort of gray shaded-
13 in area with the little triangles the cement?

14 A. The cement, yeah.

15 Q. All right. And in the Number 12, does this
16 demonstrate, as far as the perforations that look little
17 arrows -- what does that --

18 A. Yeah --

19 Q. -- indicate?

20 A. -- it shows that those perforations, that
21 interval, has been squeezed with cement and been shut off.

22 Q. And then does it show the perforations that are
23 open --

24 A. Yes, it does.

25 Q. -- demonstrates that those are in the lower

1 intervals of this gas pool?

2 A. Yeah, in the Number 2 it does, yeah.

3 Q. In the Number 2 --

4 A. Yes.

5 Q. -- that's what I was referring to.

6 A. Yeah.

7 Q. All right. And then on the Number 12, is this
8 cement plug -- was that placed by Hartman?

9 A. Yes it was. Well, those cast-iron bridge plugs
10 were put in there by Union Texas. And then what we did is,
11 we went in and just thoroughly squeezed the original
12 existing perfs and then drilled out the cement to the
13 plugback depth of 3090, which can be seen on the...

14 Q. ~~And is it your~~ conclusion from the work that was
15 performed, that the H.M. Britt Number 2, then, is producing
16 only from the lower intervals, the Penrose and the Queen,
17 and in contrast the Number 12 from the upper intervals, the
18 Seven Rivers and the Yates?

19 A. Yes.

20 Q. What does Exhibit 9 show?

21 A. It's another cross-section. It just kind of
22 shows more of the same.

23 Q. Does this help explain or demonstrate whether or
24 not the Number 2 could be productive from the upper
25 interval instead of being confined to the --

1 A. Well, they could both be productive across the
2 whole interval, except the problem is -- I'll start in the
3 Number 2.

4 If you go back to your wellbore schematic, if you
5 look, the cement job in the Number 2 would not be able to
6 -- mechanically you couldn't support like an upper Eumont
7 completion in that wellbore because you wouldn't be able to
8 contain the frac within the zones where you want to keep
9 it, because there's no cement. It would just get away from
10 you, you don't know where it would go.

11 Q. And the schematic shows that?

12 A. Yeah, and the schematic shows that, pretty much.

13 Q. Are you basically dealing here with a wellbore
14 that was originally drilled and completed, what, in the --

15 A. Yeah, in the 1930s.

16 Q. In the 1930s?

17 A. Yes.

18 Q. All right. So this well simply couldn't be
19 productive in the upper intervals? Is that your opinion?

20 A. Well, due to the mechanical shape of the
21 wellbore --

22 Q. Right.

23 A. -- we could not pursue an upper Eumont completion
24 in that well. And likewise in the Number 12 well, we can
25 -- the wellbore in that well couldn't support a lower

1 Eumont completion.

2 Q. Why not?

3 A. Just the condition of the cement and the casing,
4 which you can see here on the logs, and just by the amount
5 of cement we had to pump to shut off the water.

6 Q. Well, you point out on the logs. Are you
7 referring to Exhibit Number 9?

8 A. Yeah, you can see it really well on Exhibit
9 Number 9.

10 Q. Okay. Well, we --

11 A. If you can look where we've got one of these like
12 casing collar locators --

13 Q. Where are you now on the --

14 A. Let's say the third log over from the left.

15 Q. All right.

16 A. The one that's like right beneath the Britt
17 Number 12. You can see the casing collar locator. Here,
18 I'll point it out to you.

19 Q. Well, point it out to the Examiner.

20 A. Here's the casing collar locator, right here, and
21 there's one here too.

22 EXAMINER STOGNER: Okay, you're referring to the
23 wellbore portion --

24 THE WITNESS: Yes, yes.

25 EXAMINER STOGNER: -- and then the dark --

1 essentially the dark line on the left-hand side?

2 THE WITNESS: Yeah, that's correct.

3 Q. (By Mr. Gallegos) And what is the significance
4 of --

5 A. That's evidence of casing corrosion.

6 Q. All right. So basically, to be able to work with
7 this wellbore, you're having to work with just the upper --

8 A. Yeah, it's --

9 Q. -- portion of the wellbore?

10 A. Yes, yeah.

11 Q. The rest of it would not have integrity that
12 could --

13 A. It wouldn't have integrity. Like I said, if we
14 frac'd the well, we'd be afraid we'd frac down and ruin our
15 cement job and -- you know, the reason we pumped all the
16 cement was to shut the water off. And if we tried to go in
17 and re-frac this corroded area here, we're afraid we're
18 going to break our cement job down and, you know, here
19 comes the water again.

20 Q. Okay. And now as to the Number 2, how does
21 Exhibit Number 9 support your opinion that the Number 2
22 couldn't produce from the upper formation?

23 A. From the upper, well, you can see that more from
24 the wellbore schematic. You don't really get that, but
25 from the wellbore schematic you can tell that -- oh, that

1 they weren't able to bring the cement all the way up on the
2 5-1/2 -- or the 7-inch there. And that's another reason
3 why we ended up running a 5-inch -- or -- 5-inch line in
4 that well.

5 Q. Let me have you give your attention now to
6 Exhibit Number 10. What is Exhibit Number 10?

7 A. It's a daily production plot comparing the Britt
8 Number 2 and the Britt Number 12.

9 Q. Okay. And what do these production plots tell
10 us?

11 A. Well, the top plot is a daily production plot
12 since July of 1996 of the lower Eumont portion of that 40-
13 acre tract. Prior to July of 2001, that production you see
14 there is from the Britt Number 12 well. And then --

15 Q. We're looking at the upper plot?

16 A. Yeah, we're looking at the upper plot.

17 Q. Okay.

18 A. And then on 6-23-2001, we abandoned the lower
19 Eumont in the Britt Number 12.

20 And then on 6-27-01 we -- A couple days prior to
21 that we frac'd it, and then on 6-27-01 we turned it down
22 the sales line.

23 Q. On the Britt Number 2?

24 A. On the Britt Number 2, yeah.

25 Q. Okay.

1 A. And those are both producing out of that lower
2 Eumont zone.

3 And then approximately -- Well, on 11 --
4 November, 2001, we frac'd the Number 12 well, and on
5 November 9th we turned that well down to the sales line.

6 Q. Okay.

7 A. And it's producing out of the upper Eumont.

8 Q. All right.

9 A. And you can tell by the decline curves on there
10 that they've got different decline rates.

11 Q. Are there some pressure observations that are
12 significant?

13 A. Yeah, there are some pressure differences too.
14 If you look down at the very bottom plot on the page, it
15 shows the pressure from the lower Eumont portion, and then
16 it also shows the -- over here on the right-hand side,
17 right here, on this bottom line, is the casing pressure for
18 the Britt Number 12 upper Eumont well, and then the top
19 line is the Britt Number 2 lower Eumont casing pressure.

20 EXAMINER STOGNER: And you're referring to the
21 bottom --

22 THE WITNESS: The bottom plot.

23 EXAMINER STOGNER: -- bottom horizontal
24 indication toward the right --

25 THE WITNESS: Yes.

1 EXAMINER STOGNER: -- two different lines?

2 THE WITNESS: Yes.

3 EXAMINER STOGNER: And they're marked --

4 THE WITNESS: Yeah.

5 Q. (By Mr. Gallegos) So from a production
6 standpoint, do the plots indicate different behaviors --

7 A. Yeah.

8 Q. -- as far as production of the --

9 A. Yeah, pressure's different, you can tell the
10 shut-in pressures in the Number 12 are a lot higher than
11 the Number 2.

12 The producing pressure, they're starting to come
13 together and equalize, but if they were the same completion
14 -- or producing out of the same zone, that would have
15 happened, they would have --

16 Q. Demonstrate the same --

17 A. -- converged a lot sooner, and they'd probably be
18 lying on top of each other.

19 And you can also tell like the water -- the
20 difference -- it's a different completion because of the
21 water production. That's a good indication too.

22 Q. In your opinion, is each well uniquely
23 productive? That is to say, not recovering reserves from
24 the same geologic sources?

25 A. That's correct.

1 Q. And in your opinion is it necessary to produce
2 both the Number 2 and the Number 12 to recover the entire
3 Eumont interval --

4 A. Yes.

5 Q. -- reserves?

6 A. Yes, it is. You wouldn't be able to recover
7 those upper Eumont reserves in the Number 2 wellbore, and
8 likewise in the Number 12 you wouldn't be able to recover
9 the lower Eumont reserves.

10 Q. If either well, if either one of the wells, were
11 not permitted to produce, in your opinion would that result
12 in waste and a failure to recover available reserves?

13 A. Yes. Yes, I do.

14 Q. Let's turn your testimony, then, Mr. Hartman, to
15 the situation with the Number 3 and the Number 11 that are
16 also on one 40-acre tract. What is Exhibit Number 11?

17 A. It's the sundry notice that we filed with the
18 BLM, notifying them that we have temporarily abandoned the
19 H.M. Britt Number 3.

20 Q. Okay, and why was that done?

21 A. To be in compliance with the New Mexico OCD Rules
22 and Regulations.

23 Q. What was the productive status of that well?

24 A. It was a marginal gas well making like roughly
25 around 20 or 30 MCF a day.

1 Q. What were the circumstances as far as the water
2 it was producing?

3 A. It was producing roughly about 10 to 20 barrels
4 of water a day. Nothing completely out of hand, but it
5 was, you know, something that was going to have to be
6 addressed later on, probably.

7 Q. So is it a fact that the Number 3 well is
8 basically a noneconomic well, or marginal?

9 A. It was marginal, I think. When I ran the
10 economics on it, it might have had like 12 more months of
11 profitability at its current decline rate.

12 Q. Was the Number 11 a wellbore that had been
13 originally drilled to and completed in the Eunice Monument?

14 A. Yes.

15 Q. Okay, and how long had the Number 11 been
16 unproductive?

17 A. Prior to the rework, about -- approximately 32
18 years.

19 Q. Okay. And after the rework, what were the
20 results?

21 A. Actually, it came out real well. We didn't shut
22 off the water like we had hoped to, but it really helped
23 the gas production. I think it's producing a little over
24 200 MCF a day right now.

25 Q. Okay. Now, is it a fact that both the Number 3

1 and the Number 11 are producing from the same --

2 A. Yes, they --

3 Q. -- geologic intervals?

4 A. -- they were, until we temporarily abandoned the
5 Number 3, yes.

6 Q. And you're asking the Division to allow the,
7 Number 11 to be the replacement well?

8 A. Yes.

9 Q. What do Exhibit Number 12 and Number 13
10 demonstrate?

11 A. Number 12 and 13, we call them -- we like to call
12 them super scout tickets. It's just basically a real quick
13 history of each wellbore, the major things that have
14 happened to it over the years.

15 Q. Okay. And do these exhibits demonstrate the
16 location of the perforations and what intervals are open?

17 A. Yes, they do.

18 Q. Does that support the statement that you made
19 just a bit earlier that they're --

20 A. Yes.

21 Q. -- both productive, basically what looks like the
22 Queen and the Penrose?

23 A. And the Penrose.

24 Q. Do you have production plots for those two wells?

25 A. Yes, I do, Exhibits Number 14 and 15.

1 Q. Okay, what is Exhibit Number 14?

2 A. It's a monthly production plot for that Britt
3 Number 3. Basically since we took it over in 1996, you can
4 kind of get an idea for what the casing pressure and the
5 line pressure are like in that well.

6 Q. And the gas production?

7 A. And the gas production, yes, water production
8 too.

9 Q. All right. So that's the well that would be
10 nonproductive, it would be TA'd?

11 A. Yeah.

12 Q. And Exhibit Number 15, what does that show?

13 A. Exhibit Number 15 is the monthly production plot
14 for the Britt Number 11, and it also has some historical
15 production too.

16 Q. Okay.

17 A. Actually, that was a Monument-Blinebry well, the
18 Britt Number 11.

19 Q. Not a Eunice-Monument?

20 A. Not a Eunice-Monument.

21 Q. Is there a reason that the Number 11 was only
22 open to the Queen and the Penrose?

23 A. I think over there on the east portion of that
24 lease you don't get some of the upper Eumont production
25 like we did on the northwest portion of the lease.

1 Q. Okay. Is Exhibit Number 16 an affidavit showing
2 that notice of this proceeding was given to the various
3 offset operators, being ChevronTexaco, Gruy Petroleum,
4 Kerr-McGee and BP Permian?

5 A. Yes.

6 Q. In your opinion, Mr. Hartman, if the Application
7 is approved so the Number 2 and the Number 12 can be
8 allowed to be productive and the Number 11 replace the
9 Number 3, will that prevent waste and protect correlative
10 rights?

11 A. Yes.

12 MR. GALLEGOS: We move the admission of Exhibits
13 1 through 16, Mr. Examiner, and pass the witness.

14 EXAMINER STOGNER: Any objection?

15 MR. BRUCE: No, sir.

16 EXAMINER STOGNER: Exhibits 1 through 16 admitted
17 into evidence. Thank you, Mr. Gallegos.

18 Mr. Bruce, your witness.

19 EXAMINATION

20 BY MR. BRUCE:

21 Q. Just a couple of questions. Mr. Hartman, on your
22 Exhibit 6 --

23 A. Yeah.

24 Q. -- I just want to make sure I understand the two
25 Britt Number 12 --

1 A. Yeah.

2 Q. --logs. So before June of '01, the middle log is
3 how it was completed?

4 A. Yes, sir.

5 Q. And so all those perforations were then squeezed
6 out?

7 A. Yes, sir.

8 Q. And then you recompleted it like the log on the
9 right?

10 A. Yes, that's right.

11 Q. And because of the downhole problems, then you
12 squeezed out those lower perforations?

13 A. Well, actually we went in because of the downhole
14 problems and added those and then squeezed them.

15 Q. Ah, okay.

16 A. Some of them were production perfs, but some of
17 them were also squeeze perfs where the intention is going
18 in, open it so we can make sure we get cement.

19 Q. Okay. And then really only one other question.
20 If you could grab your Exhibit 14, that will work. The
21 first page of that, I just want to make sure of the scale
22 of what I'm looking at.

23 A. Okay, yeah.

24 Q. The Britt Number 3, the very top one, gas
25 production, it has 1E+02 --

1 A. That's 100, 1000, 10,000.

2 MR. BRUCE: Okay.

3 THE WITNESS: Yeah.

4 MR. BRUCE: That's all I have, Mr. Examiner.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. I'm trying to get my thoughts together, because
8 this was very familiar to me some time ago but I've kind of
9 forgot over the time.

10 Okay, the existing wells, the 1, 3, 4, 5, 12 and
11 14 -- let's see, the Number 1, it's still producing; is
12 that correct?

13 A. Yes, sir.

14 Q. And of course the Number 3 is the one that you
15 want to replace with the Number 11 that has been --

16 A. -- squeezed off and temporarily abandoned.

17 Q. What will ultimately be done with that well?

18 A. Ultimately, we're not sure right now that Britt
19 Number 11 is going to be a viable wellbore, because as I
20 mentioned before, we've got high water production on that
21 well. So we may have to squeeze that one off and end up
22 re-entering the Number 3, because that has the better
23 wellbore.

24 Q. So you want to have the option to produce the
25 Number 3 or the Number 11?

1 A. Yeah.

2 Q. As opposed to the Number 3 and the Number 11?

3 A. Exactly.

4 Q. Okay. If the Number 11 is successful in the
5 Eumont --

6 A. Yeah.

7 Q. -- formation, what will then ultimately happen to
8 the Number 3?

9 A. We'd plug it.

10 Q. There's no other possible zones in any --

11 A. No, we only have the shallow rights on that 320-
12 acre lease.

13 Q. That's such an old well, I'm assuming that --

14 A. Yeah.

15 Q. -- some of the other operators would not want
16 that well.

17 A. Probably not.

18 Q. Okay. Now, the Number 4, what's it doing?

19 A. It's producing.

20 Q. It is producing.

21 A. It's an active producer.

22 Q. The Number 5?

23 A. Active producer.

24 Q. And of course the Number 12, which was --

25 A. Yeah.

1 Q. -- talking about that. And the Number 14 is
2 currently produced; is that correct?

3 A. Yes, sir.

4 Q. Okay. Now, in all of these wells and formations
5 in this area, in this Britt lease --

6 A. Yeah.

7 Q. -- those are all classified as gas producers?

8 A. Yes, Eumont gas wells.

9 Q. Okay, so there's no Eumont oil wells nearby or on
10 this lease?

11 A. No.

12 Q. Okay. So reservoir-speaking, this is in a part
13 of the Eumont that is all gas, evidently?

14 A. Yeah.

15 Q. We're going to have to go to get some of these
16 oil wells, or -- How far away is the closest Eumont oil
17 production?

18 A. Well, our Number 1 makes a little bit of oil, but
19 I think it's classified as a gas well. And then we've got
20 -- if you look at your plat, your acreage-ownership plat,
21 which is Exhibit Number 1 -- Sections -- the northwest
22 adjacent in Section 6, that's also our proration unit, and
23 that Britt A6 Number 2, it makes a little bit of oil also.

24 Q. Okay, I'm sorry, run that by me again.

25 A. It's right here, you can see the purple --

1 Q. Okay, I'm looking at the --

2 A. -- rectangle?

3 Q. -- yes.

4 A. The top well there, the Number 2 well, circled in
5 red, that makes a little bit of oil too.

6 Q. Okay, but is it classified gas or oil?

7 A. It's classified gas.

8 Q. It is classified gas?

9 A. Yeah.

10 Q. Okay, I was asking where is --

11 A. Where's --

12 Q. -- the nearest --

13 A. -- the oil well?

14 Q. -- classified oil well on that 40-acre spacing?

15 A. In the Eumont?

16 Q. Yes.

17 A. That I could not tell you.

18 Q. Mr. Hartman, I'm always thinking about this
19 Jalmat-Eumont -- well, I shouldn't say always thinking,
20 dull existence on my part -- because we went from a fairly
21 complicated set of rules when it was prorated, and we
22 immediately went from there to this, which essentially
23 turned a nonprorated to regulating spacing size and well
24 location --

25 A. Yeah.

1 Q. -- and I'm always thinking, where can we go from
2 here?

3 A. Yeah.

4 Q. Do we need to do away with the oil
5 classification, gas classification, but yet there's other
6 factors out here, leases, separate ownerships and such as
7 that? So I'm always thinking, I'm always looking out. I
8 just said this more out loud as I'm thinking out loud as
9 I'm going through, so kind of bear with me here.

10 And the whole idea when these rule changes were
11 made is to -- I don't want to say limit the number of wells
12 in a spacing unit as much as control and then let other
13 parties notify or be notified of what is going on whenever
14 there's something additional going on, and that was the
15 reason it was only the one well per quarter-quarter
16 section, because if you had an oil-gas well -- and we can
17 always address that, but through the hearing process.

18 A. Yeah.

19 EXAMINER STOGNER: There might be a need to
20 change that later on, Mr. Gallegos, just get an
21 administrative process, provided that everybody's notified.

22 MR. GALLEGOS: Uh-huh.

23 EXAMINER STOGNER: That might be somewhere where
24 we're going, but --

25 MR. GALLEGOS: Yeah. Well, this also -- Some of

1 this gets augured by the BLM too, you know, you get --

2 THE WITNESS: Yeah.

3 MR. GALLEGOS: -- these wellbores, and then
4 they're telling you you've got to do something with them,
5 you've got to return it to production, and you've got a
6 bunch of straws there.

7 EXAMINER STOGNER: That's a good point, and I
8 don't think we ever discussed it in the original Jalmat-
9 Eumont --

10 MR. GALLEGOS: Yeah.

11 EXAMINER STOGNER: But definitely keep that, you
12 know, when you go have your internal meetings at Doyle
13 Hartman, Oil Operator, or you discuss this with other
14 operators. And Mr. Gallegos, that's something that -- If
15 that particular portion of the Rule, coming in for a
16 hearing on these exceptions -- this is the first one we
17 have had, and I don't know if they're going to be
18 controversial or not, and I still don't know whether it's
19 controversial. I really don't know why Kerr-McGee is here
20 at this point.

21 But that's something all the operators need to
22 think and take a look at. If this is too burdensome, then
23 let's change it. But I think the whole set of rules is to
24 let thy neighbor know what you're doing.

25 MR. GALLEGOS: Which is probably still the way to

1 go.

2 EXAMINER STOGNER: And this is a good example,
3 because you have old wells.

4 And now the -- I really was not expecting this,
5 the Number 2 being totally separate from the Number 12. I
6 thought we had some interconnecting --

7 THE WITNESS: No, there's no interconnecting
8 perfs. Like the straws are in different portions of the --

9 Q. (By Examiner Stogner) Was this by design? I
10 mean --

11 A. No, it wasn't. Our original intention was just
12 to temporarily abandon the Number 12. And like I said, we
13 got a notice as soon as we -- within 30 days of filing our
14 temporary abandonment notice on the Number 12, the BLM
15 turns around and says, Well, you have to give us a time-
16 frame for returning this well to production.

17 Then that's when we decided to go after the upper
18 Eumont, because we knew we can't have both open.

19 Q. But what -- when you say --

20 A. Well, both wells producing from the same perfs.

21 Q. Why not?

22 A. If you've got two straws there.

23 Q. What would be the -- Other than it being a
24 violation of the Rules, what would be wrong with that?

25 A. I don't know. Gruy may have something to say

1 about it.

2 EXAMINER STOGNER: Okay. I bring this more as a
3 -- This is what I thought we were going to hear today.
4 This is catching me totally off -- by surprise here.

5 MR. GALLEGOS: Yeah, and it's just a coincidence
6 of the mechanics of these wellbores, that that really was
7 the economic and engineering way to do them.

8 THE WITNESS: Yeah.

9 EXAMINER STOGNER: I was visualizing that we're
10 going to have two straws in the same one, then what is it
11 hurting? Is it affecting an offset?

12 So each one of these ones that goes to hearing
13 and each administrative application, I think from here on
14 out, can we utilize this to evolve our Rules and
15 Regulations to make it easier for the oil and gas operators
16 out there? I'm not privy to what's going on out there much
17 anymore. I don't see the location-exception applications.
18 The volume, I used to. I'm not seeing them. From my
19 perspective, where I'm at, I'm not as in tuned of it as I
20 used to be. You remember how I used to have nonstandard
21 locations just coming out right and left, and I don't see
22 them anymore.

23 MR. GALLEGOS: No, not much anymore.

24 EXAMINER STOGNER: So I'm assuming everything is
25 going on okay out there.

1 MR. GALLEGOS: Yeah, it is.

2 EXAMINER STOGNER: I'm thinking more -- I really
3 don't have any questions, Mr. Hartman, because I see where
4 we're at and see where we're going on this, in this
5 particular instance, but I think we need to at least keep
6 looking at where we're going on --

7 MR. GALLEGOS: Yeah. Well, if you had one good
8 wellbore that could produce the whole interval, then -- you
9 know, then I think that would be it, and that's all you'd
10 want. You'd P-and-A the other one.

11 But it just happens here that it doesn't get the
12 reserves.

13 EXAMINER STOGNER: And I looked to see that we're
14 -- I foresee that we're going to have more than one straw
15 in the same interval, and we prepared for -- and I thought
16 that's --

17 MR. GALLEGOS: Could be.

18 EXAMINER STOGNER: -- where we were going to get
19 today, and obviously we don't. But --

20 MR. GALLEGOS: Yeah.

21 EXAMINER STOGNER: -- just think about it, where
22 are we going?

23 Q. (By Examiner Stogner) Do you see -- Well,
24 obviously you did answer that question. This could occur
25 as the BLM wants you to recomplete additional wells or at

1 least work on --

2 A. Well, yeah, if you've got a federal lease and
3 you've got a lot of wellbores. The unfortunate thing with
4 our case was, we didn't have any of that -- any of the
5 lower rights. I mean, anything below the Eumont we didn't
6 have, but it was still our problem. So...

7 Q. How -- Well, do you foresee this problem arising
8 again? And how often? I mean, is it a rare occurrence, is
9 it going to be an occurrence that --

10 A. I think something like this would be pretty rare,
11 where you'd have two wellbores in the same 40-acre tract,
12 producing out of the same zone. I think that would be
13 rare.

14 But I mean, as far as, you know, operators having
15 to go in and, you know, repair a wellbore, temporarily
16 abandon it, you know, returning it to beneficial use,
17 something like that, I think you're going to see a lot more
18 of that kind of stuff going on, and just as long as the
19 operators can get along and they know what they're doing...

20 EXAMINER STOGNER: Mr. Bruce, you've been pretty
21 quiet here.

22 MR. BRUCE: Well, Mr. Examiner, you know, we're
23 certainly not objecting to this, and we're glad they're
24 doing it.

25 We have entered into an agreement that if Kerr-

1 McGee seeks some type of similar relief, that -- you know,
2 equivalent to what they're seeking today --

3 THE WITNESS: Yeah.

4 MR. BRUCE: -- that Hartman won't object.

5 But in response to your last question to Mr.
6 Hartman, you know -- And I don't know the ownership here, I
7 know nothing about the ownership, and in the long term I
8 have been mercifully unburdened by the Eumont Gas Pool.

9 (Laughter)

10 MR. BRUCE: But if you'll look immediately to the
11 west of the Britt Number 12 and 2, there are four wellbores
12 on that --

13 THE WITNESS: Yeah, on that Alaska Cooper.

14 MR. BRUCE: And I don't know -- Obviously only
15 one of them is currently a Eumont well, but --

16 THE WITNESS: Well, actually they've got two
17 Eumont producers on the --

18 MR. BRUCE: On the unit --

19 THE WITNESS: Yeah.

20 MR. BRUCE: -- but there are four -- I don't know
21 who owns the rights to those other wells. It looks like
22 they're not P-and-A'd, so conceivably at some point in the
23 future there may be something similar coming before you, as
24 Hartman is proposing.

25 I do know that Kerr-McGee doesn't have any plans

1 at this point, but obviously when you look in this whole
2 area, there are a number of well units with two to three
3 wellbores per quarter section -- I mean per quarter quarter
4 section.

5 EXAMINER STOGNER: Where is the Kerr-McGee
6 holdings?

7 MR. BRUCE: Kerr-McGee has the west half, west
8 half of Section 7, immediately to the west. They also
9 operate the east half, east half of 12, just to the west of
10 that. So they have 320 acres over there.

11 EXAMINER STOGNER: Okay, so when you are here
12 today -- it's marked in red on Exhibit Number 1 --

13 MR. BRUCE: That is correct.

14 THE WITNESS: Yes.

15 EXAMINER STOGNER: -- nonstandard 160 standup,
16 skinny one, that you would be seeking the same relief under
17 the same circumstances?

18 MR. BRUCE: Yeah, and I don't --

19 EXAMINER STOGNER: That you will not have --

20 MR. BRUCE: -- know -- and Mr. Hartman may know
21 more than me. I don't know if that's a 160-acre unit or if
22 there's a nonstandard unit that crosses that section line.

23 EXAMINER STOGNER: Okay, but that's on the record
24 somewhere --

25 MR. BRUCE: It's on the record somewhere, yeah --

1 EXAMINER STOGNER: -- it would be --

2 MR. BRUCE: -- I'm not concerned about that.

3 But --

4 EXAMINER STOGNER: Also, it seems sort of crazy
5 and burdensome for you guys to be up here explaining this
6 at this point.

7 I would suggest if we have something else, Mr.
8 Gallegos, in the future, and the same to you, Mr. Bruce,
9 where we don't have the same straw, or we don't have
10 overlapping, is, give Mr. Gallegos this report, explain it,
11 drawing, circumstances, and then we can set the case,
12 because the Rule does say at this point you have to come to
13 hearing. But we can always advertise it in the absence of
14 objection. It would be a file with all the information
15 there, we would set it to hearing. If nobody come in and
16 objected, then write the order.

17 MR. GALLEGOS: That would be a good way to do it.

18 EXAMINER STOGNER: At least at this point. Keep
19 it in mind --

20 MR. GALLEGOS: Yeah.

21 EXAMINER STOGNER: -- do we want an
22 administrative procedure? But I'd like to hold that off,
23 whenever we get one of these that has --

24 MR. GALLEGOS: I think we should --

25 EXAMINER STOGNER: -- two straws.

1 MR. GALLEGOS: -- yeah.

2 EXAMINER STOGNER: I mean -- yeah, two straws
3 with the same --

4 MR. GALLEGOS: Yeah.

5 EXAMINER STOGNER: -- interval.

6 MR. GALLEGOS: Yeah.

7 EXAMINER STOGNER: I don't have anything to ask
8 on this. I don't see that there is just any problem, other
9 than getting the i's dotted and the t's crossed.

10 MR. GALLEGOS: Yeah. Okay, good.

11 EXAMINER STOGNER: Do either one of you gentlemen
12 have anything further to say?

13 MR. GALLEGOS: No --

14 MR. BRUCE: No, sir.

15 MR. GALLEGOS: -- nothing further.

16 EXAMINER STOGNER: Mr. Hartman?

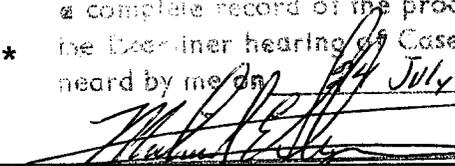
17 THE WITNESS: No.

18 MR. GALLEGOS: This is the situation. Appreciate
19 it.

20 EXAMINER STOGNER: We'll take Case 13,050 under
21 advisement, and I'll issue an order accordingly.

22 (Thereupon, these proceedings were concluded at
23 2:18 p.m.)

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13050.
* * * heard by me on 24 July 2003


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 July 27th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006