

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
31 January 1979

EXAMINER HEARING

IN THE MATTER OF:)
)
Application of HNG Oil Company for) CASE
compulsory pooling, Eddy County, New) 6431
Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (S.E.) 411-2443
Santa Fe, New Mexico 87101

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

RAYMOND PARKER

Direct Examination by Mr. Kellahin 3

J. STEWART MARTIN

Direct Examination by Mr. Kellahin 7

Cross Examination by Mr. Stamets 11

E X H I B I T S

Applicant Exhibit One, Plat 11

Applicant Exhibit Two, List 11

Applicant Exhibit Three, Letter 11

Applicant Exhibit Four, Affidavit 11

Applicant Exhibit Five, Affidavit 11

Applicant Exhibit Six, Plat 11

Applicant Exhibit Seven, AFE 11

Applicant Exhibit Eight, Operating agreement 11

SALLY WALTON BOYO
CERTIFIED BY STRAHO REPORTER
3910 Plaza Bk bca (300) 471-7443
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STAMETS: We'll call now Case Number
6431.

MS. TUSCHENDORF: Case 6431. Application of
HRC Oil Company for compulsory pooling, Eddy County, New
Mexico.

MR. KELLAHIN: I'm Tom Kellahin of Kellahin
and Kellahin, Santa Fe, New Mexico, appearing on behalf of
the Applicant, and I have two witnesses to be sworn.

MR. STAMETS: Any other appearances? Have
the witnesses stand and be sworn, please.

(Witnesses sworn.)

RAYMOND PARKER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and occu-
pation?

A My name's Raymond Parker. I'm a consultant
for HRC Oil Company in land matters.

Q Mr. Parker, have you previously testified
before the Oil Conservation Division in your capacity as
a land man in other cases?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1117th St. Bldg. (603) 411-3443
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A Yes, sir.

MR. KELLAHIN: We tender Mr. Parker as an expert.

MR. STAMETS: The witness is considered qualified.

Q (Mr. Kellahin continuing.) Mr. Parker, have you made a study of and are you familiar with the land situation concerned in this application?

A Yes, sir, I have.

Q Would you refer to what I've marked as Exhibit Number One and identify that?

A This is a plat of the north half of Section 35, Township 23 South, Range 28 East, Eddy County, New Mexico.

The acreage colored in yellow represents leasehold interests owned by HNG Oil Company. The orange, leasehold interest owned by Phillips Petroleum; the blue leasehold by Jack F. Russell and Associates; the green and the pink are owners of minerals that we have been unable to locate.

Q Do you have an approximation as to how many acres are uncommitted to the unit?

A There's a total of 6.875 mineral acres that are uncommitted to what we propose to pool in the north half.

Q That's indicated on Exhibit Number Two?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Blanca (505) 411-2419
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A That's true.

Q Would you describe the information contained on Exhibit Two for us?

A The first item shows a mineral interest of 1.875 acres out of a 5-acre tract, which shows on the plat, Exhibit One, as Tract 664. 15/24ths of that particular tract are owned as a leasehold by Phillips Petroleum. The remaining interest is owned by the heirs of Albert Larson and Olaf Inrude, last known address Caldwell, Kansas.

Q With regard to that interest, Mr. Parker, what if anything have you done or directed to be done in contacting those people?

A We've engaged a man named Tom Burton in Wichita, Kansas, to attempt to locate these lost people. He has contacted several people. Attached as our exhibits are the two affidavits.

Q As of this date, that acreage is still uncommitted to you?

A That's true.

Q All right. Now, you have a 5-acre tract that is in the name of the heirs of Bert Schurr, S-C-H-U-R-R.

A That's right.

Q Let me show you what we've marked as Exhibit Number Three and will you describe your efforts to contact those heirs?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza, Bldg. (S.E.) 411-2443
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1818 Plaza Blanca (555) 411-3488
Austin, TX, New Mexico 87501

A This is the letter, my letter -- or HUG's letter, my signature, addressed to Mr. Robert E. Coleman of Midland, Texas. Mr. Coleman visited me in my office about ten days ago, advised me that he has located certain heirs of Bert Schurr, using the process of acquiring oil and gas leases covering this outstanding interest.

I have not seen the oil and gas lease; he does not have it in hand. I wrote this letter for the express purpose of inviting him if he has a valid oil and gas lease to join us in the drilling of our well or to farmout on the basis outlined in this letter.

Q That letter does indicate a paragraph advising the Bert Schurr heirs, through Mr. Coleman, of this particular case here?

A Yes.

Q Would you refer to Exhibit Number Four and identify it?

A Exhibit Number Four is an affidavit of Tom Burton of Wichita, Kansas, as to his attempts to locate Mr. Alfred Larson.

Q In summary he's not been able to do so.

A In summary he's contacted a lawyer that at one time represented the Larson people but he is very aged in a nursing home and is unable to correspond.

Q I have separately as Exhibit Five what ap-

1 appears to be the same affidavit. Are those two affidavits
2 the same?

3 A The affidavit is by the same affiant, and
4 one covering the Inrude people and one the Larson people.

5 Q Okay.

6 MR. KELLAMIN: I have no further questions
7 of Mr. Parker.

8 MR. STAMETS: Are there any other questions
9 of the witness? He may be excused.

10
11 J. STEWART MARTIN

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

14
15 DIRECT EXAMINATION

16 BY MR. KELLAMIN:

17 Q Would you please state your name and occu-
18 pation?

19 A J. Stewart Martin. I'm Vice President of
20 Exploration for ENG Oil Company, Midland, Texas.

21 Q Mr. Martin, have you previously testified
22 before the Oil Conservation Division?

23 A Yes, sir.

24 Q In what capacity?

25 A As a geologist.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Four Square Bldg. Dallas 11, Texas
Dallas 75, Texas BRIDGE 11101

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Have you made a study of and are you familiar with the geological facts surrounding this particular application?

A Yes, sir.

MR. KELLAHIN: We tender Mr. Martin as an expert.

MR. STAMETS: The witness is considered qualified.

Q (Mr. Kellahin continuing.) Would you refer to what we've marked as Exhibit Number Six and identify that?

A Yes, sir. This is a plat of the area showing all current drilling wells and completed wells.

Currently we are drilling a well and I believe the location is 2310 from the west line and 660 from the north line of Section 35, Township 23 South, Range 28 East, Eddy County, New Mexico, called our Williams Com 35 No. 1.

Q The Williams Com 35 No. 1 is the well that will be dedicated to this north half proration unit?

A Yes, sir.

Q Would you please refer to Exhibit Number Seven and identify it?

A This is an AFE of HNG Oil Company on the subject well. The completed well cost is \$1,329,746; dry hole, \$1,019,051.

SALLY WALTON BOYD
CERTIFIED SHORTRAND REPORTER
303 Plaza Alamosa (360) 411-4400
Santa Fe, New Mexico 87501

1 Q What is the total depth of the well, Mr. --

2 A 13,400 feet Morrow test.

3 Q In your opinion are the anticipated well
4 costs for this particular well consistent with other Morrow
5 wells drilled in Eddy County?

6 A This, in this local area, are a little
7 higher, about 20 percent higher than the wells that we have
8 drilled down in Malaga about 3 miles to the south, because
9 of the high pressure zones that have been encountered in
10 the wells immediately to the north.

11 Q Do you have a recommendation to the Examiner
12 with regards to a penalty to be assessed against the non-
13 participating owners?

14 A Yes, sir, 200 percent.

15 Q On what do you base that recommendation?

16 A Well, primarily because of the erratic nature
17 of the Morrow. The well to the south in Section 2 on the
18 previous plat is a sub-commercial well, the Phillips Malaga
19 No. 1-A. It's producing about a million feet of gas per
20 month and a cumulative production of 340-million feet of
21 gas. And a well to the north, there's a well in Section
22 23 in the east half has an Atoka sand, and the only other
23 well that has that sand is the Maddox well in the west
24 half of Section 26.

25 There are two Morrow completions within this

SALLY WALTON BOYD
CERTIFIED & NOTARIZED REPORTER
3010 Plaza Ilhaca (918) 471-2482
Santa Fe, New Mexico 87501

1 area, one in Section 22 in the southwest quarter, the Amoco
2 No. 1 Brantley, and the Maddox 1-27 Pardue Farms in the east
3 half of Section 27. These other wells encountered Morrow
4 Sands but have not run any production tests on them.

5 Q Would you refer to Exhibit Number Eight and
6 identify it?

7 A It's part of our operating agreement that the
8 land department has prepared for the north half of Section
9 35.

10 Q As part of that operating agreement what has
11 been agreed to by the working interest owners for overhead
12 charges or cost for supervision while drilling and after
13 completion of the well?

14 A The drilling well rate is \$2398 and a pro-
15 ducing well rate, \$319.

16 Q In your opinion would that be a fair sum to
17 charge against the nonconsenting owners in this case?

18 A Yes, sir, it's essentially the same as several
19 operating agreements we have in the township to the south.

20 Q Who are the operators that will sign this
21 agreement, Mr. Martin?

22 A It's HNG Oil Company, Phillips Petroleum,
23 Jack Russell, et al, are the three that have signed the
24 operating agreement.

25 Q And HNG desires to be designated the operator?

BALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1018 Plaza B, Suite 2010 (111) 3115
Socorro, N.M. 87801

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A Yes, sir.

Q What percentage of the unit do they control?

A At this point 60.935, .935 percent.

Q I note that your operating agreement also has a method by which the fixed rates are adjusted on an annual basis, on the 1st of April of each year.

A Yes, sir.

Q In your opinion would that be an appropriate additional paragraph to add to this particular order to be applied against the nonconsenting parties?

A Yes, sir.

Q And were Exhibits Six, Seven, and Eight prepared by you or compiled under your direction and supervision?

A They were compiled under my supervision.

Q In your opinion, Mr. Martin, will approval of this application prevent waste and protect correlative rights?

A Yes, sir.

MR. KELLAHIN: We move the introduction of Exhibits One through Eight.

MR. STAMETS: These exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Bldg. (511) 411-4113
Baltimore, Md. (301) 411-4113

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Mr. Martin, let me confirm that you said that some of the operators, or the operating interests, have already signed the agreement that provides for these well costs of \$2398 and \$319, is that correct?

A Yes, sir.

Q And you anticipate that all will sign that with the possible exception of the people you can't locate?

A Yes, sir, for the uncommitted interest of 2.148440 percent.

MR. STAMETS: Any other questions f or the witness? He may be excused.

Anything further in this case?

MR. KELLAHIN: No, sir.

MR. STAMETS: We'll take the case under advisement.

MR. KELLAHIN: Thank you.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (303) 471-4403
Buckley, Pa., New Mexico 87101

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I, STEPHANIE XANTHULL, A Court Reporter, DO HEREBY CERTIFY that the foregoing and attached 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 hearing, prepared by me to the best of my skill, ability, and knowledge, from my notes taken at the time of the hearing.

Stephanie Xanthull, C.S.R.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Piquette Avenue (603) 411-5485
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is a complete record of the proceedings in the Evoluer Hearing of case no. 6436 heard by me on 1-31-1979

Richard H. Ham, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
31 January 1979

EXAMINER HEARING

IN THE MATTER OF:)	
)	
Application of HNG Oil Company for)	CASE
compulsory pooling, Eddy County, New)	6431
Mexico.)	
)	

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Lynn Teschendorf, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87503

For the Applicant:	W. Thomas Kellahin, Esq.
	KELLAHIN & KELLAHIN
	500 Don Gaspar
	Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Blanca (S.E.) 411-3449
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

RAYMOND PARKER

Direct Examination by Mr. Kellahin 3

J. STEWART MARTIN

Direct Examination by Mr. Kellahin 7

Cross Examination by Mr. Stamets 11

E X H I B I T S

Applicant Exhibit One, Plat 11

Applicant Exhibit Two, List 11

Applicant Exhibit Three, Letter 11

Applicant Exhibit Four, Affidavit 11

Applicant Exhibit Five, Affidavit 11

Applicant Exhibit Six, Plat 11

Applicant Exhibit Seven, AFE 11

Applicant Exhibit Eight, Operating agreement 11

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1919 Plaza Blanca (985) 471-4449
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STAMETS: We'll call now Case Number
6431.

MS. TESCHENDORF: Case 6431. Application of
HNG Oil Company for compulsory pooling, Eddy County, New
Mexico.

MR. KELLAHIN: I'm Tom Kellahin of Kellahin
and Kellahin, Santa Fe, New Mexico, appearing on behalf of
the Applicant. and I have two witnesses to be sworn.

MR. STAMETS: Any other appearances? Have
the witnesses stand and be sworn, please.

(Witnesses sworn.)

RAYMOND PARKER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and occu-
pation?

A My name's Raymond Parker. I'm a consultant
for HNG Oil Company in land matters.

Q Mr. Parker, have you previously testified
before the Oil Conservation Division in your capacity as
a land man in other cases?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (609) 411-4400
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A. Yes, sir.

MR. KELLAHIN: We tender Mr. Parker as an expert.

MR. STAMETS: The witness is considered qualified.

Q (Mr. Kellahin continuing.) Mr. Parker, have you made a study of and are you familiar with the land situation concerned in this application?

A. Yes, sir, I have.

Q Would you refer to what I've marked as Exhibit Number One and identify that?

A. This is a plat of the north half of Section 35, Township 23 South, Range 28 East, Eddy County, New Mexico.

The acreage colored in yellow represents leasehold interests owned by HNG Oil Company. The orange, leasehold interest owned by Phillips Petroleum; the blue leasehold by Jack E. Russell and Associates; the green and the pink are owners of minerals that we have been unable to locate.

Q Do you have an approximation as to how many acres are uncommitted to the unit?

A. There's a total of 6.875 mineral acres that are uncommitted to what we propose to pool in the north half.

Q That's indicated on Exhibit Number Two?

SALLY WALTON BOYD
CERTIFIED REPORTER
2020 Plaza Blanca (602) 471-3162
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A That's true.

Q Would you describe the information contained on Exhibit Two for us?

A The first item shows a mineral interest of 1.875 acres out of a 5-acre tract, which shows on the plat, Exhibit One, as Tract 664. 15/24ths of that particular tract are owned as a leasehold by Phillips Petroleum. The remaining interest is owned by the heirs of Albert Larson and Olaf Inrude, last known address Caldwell, Kansas.

Q With regard to that interest, Mr. Parker, what if anything have you done or directed to be done in contacting those people?

A We've engaged a man named Tom Burton in Wichita, Kansas, to attempt to locate these lost people. He has contacted several people. Attached as our exhibits are the two affidavits.

Q As of this date, that acreage is still uncommitted to you?

A That's true.

Q All right. Now, you have a 5-acre tract that is in the name of the heirs of Bert Schurr, S-C-H-U-R-R.

A That's right.

Q Let me show you what we've marked as Exhibit Number Three and will you describe your efforts to contact those heirs?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (S 88) 411-4469
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A This is the letter, my letter -- or HNG's letter, my signature, addressed to Mr. Robert E. Coleman of Midland, Texas. Mr. Coleman visited me in my office about ten days ago, advised me that he has located certain heirs of Bert Schurr, using the process of acquiring oil and gas leases covering this outstanding interest.

I have not seen the oil and gas lease; he does not have it in hand. I wrote this letter for the express purpose of inviting him if he has a valid oil and gas lease to join us in the drilling of our well or to farmout on the basis outlined in this letter.

Q That letter does indicate a paragraph advising the Bert Schurr heirs, through Mr. Coleman, of this particular case here?

A Yes.

Q Would you refer to Exhibit Number Four and identify it?

A Exhibit Number Four is an affidavit of Tom Burton of Wichita, Kansas, as to his attempts to locate Mr. Alfred Larson.

Q In summary he's not been able to do so.

A In summary he's contacted a lawyer that at one time represented the Larson people but he is very aged in a nursing home and is unable to correspond.

Q I have separately as Exhibit Five what ap-

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Plaza Blanca (S.E.) 411-4111
Santa Fe, New Mexico 87501

1 appears to be the same affidavit. Are those two affidavits
2 the same?

3 A. The affidavit is by the same affiant, and
4 one covering the Inrude people and one the Larson people.

5 Q Okay.

6 MR. KELLAHIN: I have no further questions
7 of Mr. Parker.

8 MR. STAMETS: Are there any other questions
9 of the witness? He may be excused.

10
11 J. STEWART MARTIN
12 being called as a witness and having been duly sworn upon
13 his oath, testified as follows, to-wit:

14
15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Would you please state your name and occu-
18 pation?

19 A. J. Stewart Martin. I'm Vice President of
20 Exploration for HNG Oil Company, Midland, Texas.

21 Q Mr. Martin. have you previously testified
22 before the Oil Conservation Division?

23 A. Yes, sir.

24 Q In what capacity?

25 A. As a geologist.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (800) 471-9400
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Have you made a study of and are you familiar with the geological facts surrounding this particular application?

A Yes, sir.

MR. KELLAHIN: We tender Mr. Martin as an expert.

MR. STAMETS: The witness is considered qualified.

Q (Mr. Kellahin continuing.) Would you refer to what we've marked as Exhibit Number Six and identify that?

A Yes, sir. This is a plat of the area showing all current drilling wells and completed wells.

Currently we are drilling a well and I believe the location is 2310 from the west line and 660 from the north line of Section 35. Township 23 South, Range 28 East, Eddy County, New Mexico, called our Williams Com 35 No. 1.

Q The Williams Com 35 No. 1 is the well that will be dedicated to this north half proration unit?

A Yes, sir.

Q Would you please refer to Exhibit Number Seven and identify it?

A This is an AFE of HNG Oil Company on the subject well. The completed well cost is \$1,329,746; dry hole, \$1,019,051.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
202 Plaza Blanca (602) 471-3443
Santa Fe, New Mexico 87501

1 Q What is the total depth of the well, Mr. --

2 A 13,400 feet Morrow test.

3 Q In your opinion are the anticipated well
4 costs for this particular well consistent with other Morrow
5 wells drilled in Eddy County?

6 A This, in this local area, are a little
7 higher, about 20 percent higher than the wells that we have
8 drilled down in Malaga about 3 miles to the south, because
9 of the high pressure zones that have been encountered in
10 the wells immediately to the north.

11 Q Do you have a recommendation to the Examiner
12 with regards to a penalty to be assessed against the non-
13 participating owners?

14 A Yes, sir, 200 percent.

15 Q On what do you base that recommendation?

16 A Well, primarily because of the erratic nature
17 of the Morrow. The well to the south in Section 2 on the
18 previous plat is a sub-commercial well, the Phillips Malaga
19 No. 1-A. It's producing about a million feet of gas per
20 month and a cumulative production of 140-million feet of
21 gas. And a well to the north, there's a well in Section
22 23 in the east half has an Atoka sand, and the only other
23 well that has that sand is the Maddox well in the west
24 half of Section 26.

25 There are two Morrow completions within this

SALLY WALTON BOYD
CERTIFIED SECRETARIAL REPORTER
1717 Park Avenue Dallas 24, Texas 75210
Dallas 26, Texas 75226 11111

1 area, one in Section 22 in the southwest quarter, the Amoco
2 No. 1 Brantley, and the Maddox 1-27 Pardue Farms in the east
3 half of Section 27. These other wells encountered Morrow
4 Sands but have not run any production tests on them.

5 Q Would you refer to Exhibit Number Eight and
6 identify it?

7 A It's part of our operating agreement that the
8 land department has prepared for the north half of Section
9 35.

10 Q As part of that operating agreement what has
11 been agreed to by the working interest owners for overhead
12 charges or cost for supervision while drilling and after
13 completion of the well?

14 A The drilling well rate is \$2398 and a pro-
15 ducing well rate, \$319.

16 Q In your opinion would that be a fair sum to
17 charge against the nonconsenting owners in this case?

18 A Yes, sir, it's essentially the same as several
19 operating agreements we have in the township to the south.

20 Q Who are the operators that will sign this
21 agreement, Mr. Martin?

22 A It's HNG Oil Company. Phillips Petroleum.
23 Jack Russell, et al, are the three that have signed the
24 operating agreement.

25 Q And HNG desires to be designated the operator?

SALLY WALTON BOYD
CENTRAL MONTANA REPORTER
2020 Plaza Blanca (808) 472-9488
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A Yes, sir.

Q What percentage of the unit do they control?

A At this point 60.935, .935 percent.

Q I note that your operating agreement also has a method by which the fixed rates are adjusted on an annual basis, on the 1st of April of each year.

A Yes, sir.

Q In your opinion would that be an appropriate additional paragraph to add to this particular order to be applied against the nonconsenting parties?

A Yes, sir.

Q And were Exhibits Six, Seven, and Eight prepared by you or compiled under your direction and supervision?

A They were compiled under my supervision.

Q In your opinion, Mr. Martin, will approval of this application prevent waste and protect correlative rights?

A Yes, sir.

MR. KELLANIN: We move the introduction of Exhibits One through Eight.

MR. STAMETS: These exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1010 Palm Beach Drive (599) 411-4488
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q Mr. Martin, let me confirm that you said that some of the operators, or the operating interests, have already signed the agreement that provides for these well costs of \$2398 and \$319, is that correct?

A Yes, sir.

Q And you anticipate that all will sign that with the possible exception of the people you can't locate?

A Yes, sir, for the uncommitted interest of 2.148440 percent.

MR. STAMETS: Any other questions f or the witness? He may be excused.

Anything further in this case?

MR. KELLAHIN: No, sir.

MR. STAMETS: We'll take the case under advisement.

MR. KELLAHIN: Thank you.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
8030 Plaza Blanca (G-8) 411-4482
Santa Pa, New Mexico 87101

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I, STEPHANIE XANTHULL, A Court Reporter, DO HEREBY CERTIFY that the foregoing and attached 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 hearing, prepared by me to the best of my skill, ability, and knowledge, from my notes taken at the time of the hearing.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
100 Plaza Square (603) 411-4100
Barrington, New Hampshire 03001

Stephanie Xanthull, C.S.R.

I do hereby certify that the foregoing is a true and correct record of the proceedings of the hearing of Case 6431 heard by me on 1-31-79
Richard J. Stearns Examiner
Oil Conservation Division