

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

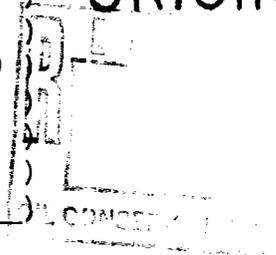
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 11,617

APPLICATION OF MANZANO OIL CORPORATION)
TO AMEND DIVISION ORDER NO. R-10,602 BY)
COMPULSORY POOLING ADDITIONAL ACREAGE,)
FOR AN UNORTHODOX OIL WELL LOCATION, AND)
FOR THE CREATION OF TWO NEW POOLS AND)
THE PROMULGATION OF SPECIAL POOL RULES)
THEREFOR, LEA COUNTY, NEW MEXICO)

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 26th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 26th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

September 26th, 1996
 Examiner Hearing
 CASE NO. 11,617

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* * *

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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By: TANYA M. TRUJILLO

* * *

1 WHEREUPON, the following proceedings were had at
2 9:13 a.m.:

3 EXAMINER CATANACH: We've had a request to kind
4 of go a little out of order here. We're going to hear
5 11,617 first, and go back to 11,616.

6 So at this time I'll call Case 11,617.

7 MR. CARROLL: Application of Manzano Oil
8 Corporation to amend Division Order Number R-10,602 by
9 compulsory pooling additional acreage, for an unorthodox
10 oil well location, and for the creation of two new pools
11 and the promulgation of special pool rules therefor, Lea
12 County, New Mexico.

13 EXAMINER CATANACH: Are there appearances in this
14 case?

15 MS. TRUJILLO: Yes, Mr. Examiner, I am Tanya
16 Trujillo from Campbell, Carr, Berge and Sheridan in Santa
17 Fe, here today on behalf of the Applicant, Manzano Oil
18 Corporation.

19 I will have two witnesses to present today.

20 Initially, I'd like to provide some background
21 information.

22 This case is a companion case to Case Number
23 11,513, which was heard on May 16th, 1996. Order Number
24 R-10,602 was entered on May 23rd, 1996, which pooled the
25 northeast quarter of the southeast quarter of Section 11 in

1 Township 16 South, Range 36 East.

2 That order approved an unorthodox well location
3 for Manzano's "SV" Chipshot Number 1 well, which was
4 drilled at a point 2164 feet from the south line and 1362
5 feet from the west line of Section 11.

6 At that hearing in May, Manzano also sought an
7 order pooling the north half of the southwest quarter, for
8 formations developed on 80-acre spacing. At the hearing it
9 was discovered there were no pools within one mile of the
10 proposed acreage, and that portion of the hearing was -- or
11 of the Application, was denied.

12 Manzano has drilled the Chipshot Number 1 well,
13 pursuant to the original pooling order. The well was
14 drilled and tested in the Strawn and has been completed as
15 a producer in the Wolfcamp formation.

16 As a result of the drilling of the Chipshot well,
17 Manzano now seeks the creation of new pools in the Wolfcamp
18 and Strawn formation, comprised of the north half of the
19 southwest quarter of Section 11, and the adoption of
20 special pool rules for those pools which provide for 80-
21 acre spacing.

22 Manzano also seeks to compulsory pool all of the
23 interest owners in the north half of the southwest quarter
24 of Section 11. We will show that the ownership is common
25 throughout the southwest quarter of Section 11 and that all

1 of the owners of mineral rights have been given notice of
2 this hearing, and they were also given notice of the
3 original hearing.

4 The case -- The pooling case is identical to the
5 case that was presented in May, and we ask that the record
6 of Case Number 11,513 be incorporated into the record in
7 this case.

8 We will also be asking that the order relating to
9 pooling be extended to cover the full 80 acres that we're
10 seeking to pool today.

11 At this time, Mr. Examiner, I'd like to present
12 Manzano's case, and our first witness will be Mr. Larry
13 Hunnicutt.

14 EXAMINER CATANACH: Are there any additional
15 appearances in this case?

16 Okay, will the witnesses please stand to be sworn
17 in?

18 (Thereupon, the witnesses were sworn.)

19 LARRY HUNNICUTT,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. TRUJILLO:

24 Q. Would you state your name and place of residence
25 for the record, please?

1 A. My name is Larry Hunnicutt. I live in Roswell,
2 New Mexico.

3 Q. By whom are you employed and in what capacity?

4 A. I'm employed by Sun Valley Energy Corporation as
5 President since 1992.

6 Q. And what is the relationship between Sun Valley
7 and Manzano, who is the Applicant?

8 A. Sun Valley and Manzano are joint venturers in an
9 exploration/production program, west Texas, southeastern
10 New Mexico, and have been engaged in that since 1992.

11 Q. Have you previously testified before this
12 Division and had your credentials accepted and made a
13 matter of the record?

14 A. Yes, I have.

15 Q. Are you familiar with the Application filed in
16 this case?

17 A. Yes, I am.

18 Q. And were you the land witness that presented
19 testimony in Case Number 11,513?

20 A. Yes.

21 Q. And you are therefore familiar with the Chipshot
22 Number 1 well; is that correct?

23 A. I am.

24 MS. TRUJILLO: Mr. Examiner, I ask that the
25 witness be qualified to testify.

1 EXAMINER CATANACH: The witness is so qualified.

2 Q. (By Ms. Trujillo) Mr. Hunnicutt, could you
3 briefly state what Manzano seeks with this Application?

4 A. Our Application is seeking pooling of all
5 minerals in the Wolfcamp and Strawn formations in the north
6 half of the southwest quarter of Section 11 of 16 South, 36
7 East.

8 We also request creation of a new pool for the
9 production of oil from the Wolfcamp and Strawn formations,
10 both to comprise the north half of the southwest quarter of
11 Section 11, 16 South, 36 East.

12 And, further, adoption of special pool rules for
13 80-acre spacings and proration units, and thus we seek to
14 amend Order Number R-10,602.

15 Case Number 11,513, previously referred to by
16 Counsel, heard May the 16th of 1996, granted a location
17 exception for the drilling of the "SV" Chipshot Number 1
18 and provided for 40-acre spacing. We had originally in
19 that application sought approval for an 80-acre spacing and
20 proration, but it was denied because it was a wildcat and
21 it was further than a mile from a designated 80-acre pool.

22 Q. Could you turn to what we have marked as Exhibit
23 Number 1 and describe that exhibit for the Examiner,
24 please?

25 A. Well, it's a standard county ownership map

1 reflecting the mineral and to some extent the surface
2 ownership and leasehold ownership of the various tracts of
3 land in and around Lovington, New Mexico.

4 What's indicated in there in yellow is the
5 appropriate north half of the southwest quarter of Section
6 11 spacing unit. And also indicated by the arrow and the
7 triangular dot there is the location of the "SV" Chipshot
8 Number 1.

9 Q. And what is the current status of the lands in
10 the north half of the southwest quarter of Section 11?

11 A. The southwest quarter of Section 11 is an
12 undivided common ownership, mineral ownership, rather
13 diverse, and currently that status hasn't changed since the
14 information we provided at the original hearing in May.

15 Q. And what percentage have you leased?

16 A. Currently we have 64.06 net acres leased, which
17 represents about 80 -- a little over 80 percent, in fact,
18 80.08 percent.

19 Roughly 19.91 percent is unleased. Of that, we
20 break it down into about 5 percent are people that we could
21 not find, and about 14 percent of that were parties --
22 represent parties that either would not respond to our
23 solicitation for a lease or, indeed, denied us a lease.

24 Q. Mr. Hunnicutt, Exhibit Number 2 describes the
25 notice that was given; is that correct?

1 A. Yes, it does.

2 Q. And to whom was notice given?

3 A. Notice was given to all the unleased mineral
4 owners in the north half of the southwest quarter, these
5 being the same parties that were notified prior to the May
6 16th, 1996, hearing.

7 Additionally, we did not notify operators as that
8 there are no Wolfcamp operators within a mile of the
9 Chipshot Number 1.

10 Q. And there were no Strawn operators either --

11 A. That's correct.

12 Q. -- is that correct?

13 Mr. Hunnicutt, would the testimony you presented
14 on May 16th be the same as you would present here on behalf
15 of your pooling case?

16 A. Yes, it would be.

17 Q. The only exception now is that you have drilled
18 the well; is that correct?

19 A. That's correct, the only difference is that we've
20 drilled the well.

21 Q. And will Manzano be calling a geological witness
22 to present the technical portion of the case?

23 A. Yes, we will.

24 Q. Were Exhibits 1 and 2 prepared by you or compiled
25 at your direction?

1 well, the drilling of it, set out the cost, gave them the
2 right to participate in the well, in the alternative,
3 offered them a lease that we would take under a standard
4 form, about the going rate that we were paying in the area,
5 both in terms of bonus consideration and royalty.

6 Q. Have you been in contact with these parties
7 since the drilling of the well?

8 A. You know, we have. Some of them, we have, we
9 have tried to reach. We continued our efforts, actually,
10 to -- We would like to have some of this under lease,
11 especially with respect to the common title that's in the
12 south half of the southwest quarter.

13 We've been in contact with Mr. Mahan, for
14 instance, in Hobbs, just -- who seems to be disinterested
15 in doing anything at this point. And we just kind of
16 continued the effort in sending out these notifications and
17 various letters, trying to solicit their joinder and/or a
18 lease.

19 Mr. Examiner, may I add one thing?

20 Q. Sure.

21 A. I misspoke when I went through Silvyn Ponder
22 through Opal Poovey. Those are indeed lost mineral owners,
23 and we have retained a landman who has for some time been
24 trying to identify more current addresses for those
25 parties, and we've just been unable to find them. We

1 continue to mail to the last published address that's in
2 the county records, but he has been unable to identify
3 those any further.

4 The balance of those would represent people that
5 have been unwilling to lease to us, and -- Offer that by
6 way of clarification there.

7 Q. Okay, these parties that you do know where
8 they're at, they were notified of this hearing today?

9 A. Yes, sir.

10 Q. Mr. Hunnicutt, if your Application is granted,
11 would you propose to give these interest owners a new
12 election period?

13 A. Indeed, I haven't thought through that, Mr.
14 Examiner. In looking at it, I felt like we had picked up a
15 number of these leases. Of the ones that we've been unable
16 to lease, if you'll notice, most of them are somewhat in
17 the vicinity of the west, so we continue to make that
18 effort. I assume that most of these people would not
19 participate, based on the fact that they -- we've told them
20 -- we've been very open with them about the drilling of the
21 well.

22 And this well also has made some of the local
23 publications around there, due to the fact that it's
24 drilled right off the golf course in Lovington. It's --
25 Manzano's effort here was, indeed, on the front page of the

1 Lovington paper, I believe, several times, that we were
2 proposing and drilling this well.

3 We also had to apply for an extraterritorial
4 zoning variance from the City, appearing before the City
5 Council and the Extraterritorial Zoning Authority, so it's
6 been well publicized and well discussed.

7 EXAMINATION

8 BY MR. CARROLL:

9 Q. There's no difference in ownership between the 40
10 and 80?

11 A. I'm sorry? Oh, in the southwest quarter? No,
12 it's an undivided mineral interest, common ownership in the
13 whole southwest.

14 Q. Through the whole southwest corner?

15 A. Correct.

16 Q. So all these interest owners listed on Exhibit A
17 have an undivided interest in the whole quarter, right?

18 A. Correct.

19 Q. There's been no change in the ownership since
20 the --

21 A. None reflected in the public record.

22 FURTHER EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Hunnicutt, would you object to these interest
25 owners being provided a new election period?

1 A. I don't think at this point that we would.

2 You know, we feel like we've taken a lot of risk
3 here. This has been -- This project has been ongoing since
4 1995, late 1994. We've spent an immense amount of money
5 out here in terms of title determination. These titles are
6 extremely difficult, very broken up.

7 We shot an expensive 3-D seismic survey. As you
8 know, we provided that information, adequate information to
9 the Commission here with respect to why we were drilling at
10 that location.

11 We've now drilled the well and actually had some
12 success in arriving at what we were looking for with that
13 expensive tool. And so it's -- At some point you feel like
14 you need to recognize there's a lot of risk being taken by
15 us, and our partners, indeed, to drill and complete this
16 well.

17 EXAMINER CATANACH: I have nothing further.

18 MR. CARROLL: No.

19 EXAMINER CATANACH: Nothing further of the
20 witness.

21 MS. TRUJILLO: Thank you.

22 EXAMINER CATANACH: The witness may be excused.

23 THE WITNESS: Thank you.

24 MR. CARROLL: Thank you.

25 MS. TRUJILLO: Mr. Examiner, our second witness

1 will present the geological portion of the case.

2 MIKE BROWN,

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

5 DIRECT EXAMINATION

6 BY MS. TRUJILLO:

7 Q. Could you state your name and residence, place of
8 residence, for the record, please?

9 A. My name is Mike Brown. I live in Roswell, New
10 Mexico.

11 Q. By whom are you employed?

12 A. Manzano Oil Corporation.

13 Q. And what is your position with Manzano?

14 A. Geologist.

15 Q. Have you previously testified before the Division
16 and had your credentials accepted and made a matter of the
17 record?

18 A. I have.

19 Q. Are you familiar with the Application filed in
20 this case?

21 A. I am.

22 Q. Are you familiar with the development of the
23 Wolfcamp and the Strawn formations in this area?

24 A. Yes, I am.

25 Q. And you previously gave testimony regarding the

1 Chipshot Number 1 well; is that correct?

2 A. Yes, that is correct.

3 MS. TRUJILLO: Mr. Examiner, are the witness's
4 qualifications acceptable?

5 EXAMINER CATANACH: They are.

6 Q. (By Ms. Trujillo) Mr. Brown, have you prepared
7 an exhibit today?

8 A. Yes, I've prepared Exhibit Number 3.

9 Q. Could you describe what this exhibit shows for
10 the Examiner?

11 A. This is an exhibit that shows the Wolfcamp and
12 the Strawn fields in the Lovington area. I've designated
13 Wolfcamp fields in red and the Strawn fields in blue.

14 I've shown a -- in yellow, the 80-acre tract
15 which we're discussing that involves the Chipshot Number 1,
16 and that's the tract that we propose to place into the two
17 new field pool creations that we're talking about today,
18 which is the Augusta-Strawn and the Augusta-Wolfcamp, and
19 we are proposing that these fields be on 80-acre spacing.

20 First, we look at the Strawn fields in blue. In
21 the very northwest corner of your exhibit is the Lovington-
22 Strawn West. It's a fairly recent field. That's Charlie
23 Gillespie's field that's been developing over the last few
24 years, and that field's on 80-acre spacing.

25 Just southwest of the Chipshot is the Diamond

1 field, and that was a new field discovery that was heard
2 before the Commission in July of 1994, discovered by PG&E.
3 It has been designated on 80-acre spacing as well. That
4 well -- That field is on trend with the Chipshot, and the
5 logs are comparable.

6 The other Strawn fields are to the east. The
7 first one -- There's a very large field; it's the
8 Lovington-Penn Northeast. It contains multiple porosity
9 pods, has differing oil-water contacts. It's all been
10 included in one large field and has been placed on 80-acre
11 spacing.

12 Just southeast of that is the Casey-Strawn, which
13 again it is on 80-acre spacing.

14 And just off the map, below Casey, is the Shipp-
15 Strawn, and it is on 80-acre spacing.

16 So on the Strawn, all the fields in the Lovington
17 area are on 80-acre spacing. The engineering and geology
18 over time has shown that these wells drain significant
19 areas, 80 acres or greater, and the Chipshot well, Number 1
20 well logs, look very similar to all the wells in these
21 fields. Also, our initial production shows that we have
22 production very similar to what was encountered in the
23 other wells.

24 In the Wolfcamp, which is in red, the far west
25 field is the Shoe Bar-Wolfcamp North. That field is on

1 160-acre spacing. The wells average between 200,000 and
2 400,000 barrels per well.

3 In the northeast corner of Section 17 is a fairly
4 recent well. It was drilled by Bonneville Fuels a couple
5 years ago, and it was placed in the Shoe Bar-Wolfcamp
6 North, and that is the nearest Wolfcamp producer to the
7 Chipshot.

8 To the east there was a very small field, the
9 Lovington-Wolfcamp Northeast. It's been abandoned. It was
10 on 40-acre spacing. It had two wells drilled in it. It
11 only made 81,000 barrels between the two wells, only 40,000
12 barrels, and was never developed on 40 acres. It was --
13 The two wells are separated by over a half mile, so it was
14 really essentially an 80-acre development.

15 The Lovington-Wolfcamp is to the south. Once
16 again, it was a two-well field. It was on 40-acre spacing,
17 and it's been abandoned. It made 85,000 barrels of oil
18 between the two wells, so once again 40,000 barrels a well.
19 But it also was not developed on 40-acre spacing; it was
20 developed on 80 or greater.

21 The other Wolfcamp field that we have close is
22 the Dean-Permo Penn, and that is to the northeast, and that
23 is a fairly extensive field, and it is on 80-acre spacing.
24 So on the -- And that also has currently producing wells.

25 So in summary, on the Wolfcamp there's only two

1 fields that currently produce in our vicinity. One is the
2 Shoe Bar-Wolfcamp North on 160-acre spacing, and the other
3 is the Dean-Permo Penn on 80-acre spacing.

4 To summarize what I'm showing on this map is that
5 past precedent of the OCD has been to place the Strawn and
6 the Wolfcamp both on 80-acre spacing. In fact, the nearest
7 producers in both horizons are on 80-acre spacings to us,
8 to this Chipshot well, and that over time production has
9 also established that 80-acre spacing is sufficient to
10 drain 80 or more acres.

11 Q. Mr. Brown, could you go into a little more detail
12 about the drilling of the Chipshot, what the results were?

13 A. Okay, the Chipshot Number 1 was spud on June 9th
14 of this year. We reached a total depth in the Atoka of --
15 in July, on July 12th. We perforated the Strawn at the end
16 of July; I believe it was the 27th, 28th. We produced the
17 Strawn for about a month, and that was with our treatments.
18 The last test that we had was on August 29th, and we flowed
19 110 barrels of oil and 196 barrels of water.

20 So we -- Over that entire month period, we were
21 flowing at rates of over 300 barrels of fluid a day, with
22 around 25-percent oil cut.

23 We -- At the time we do not have a water-disposal
24 well to make this a very economic deal. We need to provide
25 some water-disposal facilities, which we will do in time,

1 because this will be a good productive well. But we
2 decided to, instead of spending the \$150,000 to \$200,000 to
3 equip a disposal well at this time, that we would move up
4 to the Wolfcamp, and we had had a DST there that showed no
5 water on our drill stem tests, so we felt we would have a
6 water-free zone to perforate.

7 We perforated that in early September, got it on
8 line producing 12 days ago, and the last test I have was on
9 the 22nd, and we made 253 barrels of oil, 452 MCF, and no
10 water. And we have it choked back on a 14/64 choke.

11 Q. How much acreage do you anticipate the
12 recoverable reserves in this pool will drain?

13 A. I believe in both the Wolfcamp and the Strawn
14 that we will produce greater -- will drain greater than 80
15 acres.

16 Q. Are you seeking an additional allowable?

17 A. No, we're not. We will continue to produce the
18 Wolfcamp at approximately 250 to 300 barrels a day. Our
19 concern is, producing at higher rates we may cone in water.
20 Since this is out in a wildcat position, we do not know
21 where a water contact might be, and so we will take a
22 conservative stance and flow it at a -- you know, probably
23 250 barrels a day.

24 Q. And it's your opinion, then, that the most
25 efficient spacing pattern would be an 80-acre pool here?

1 A. Yes, I do. I think drilling less than 80-acre
2 spacing would result in drilling unnecessary wells.

3 Q. Mr. Brown, what are Manzano's future plans for
4 drilling in this area --

5 A. We plan --

6 Q. -- or development?

7 A. Well, the next case that the -- is to be heard
8 today, 11,616, is the -- we were proposing the Double Eagle
9 Number 1, and that is in the -- It's immediately adjacent
10 to this 80-acre tract. It's in the southwest of the
11 northeast of Section 11, and we'll propose that as a Strawn
12 well and would like to include that in the new field
13 designation of Augusta-Strawn and Augusta-Wolfcamp.

14 To the south, we'll also -- in the south half of
15 Section 11, we'll drill a second well on this Chipshot
16 acreage, and we'll probably do that early next year.

17 Q. And what will be the result if Manzano does not
18 receive approval of the special pool rules at this time?

19 A. I think that it would cause us -- Since our lease
20 in Section 11 has continuous development clauses, we will
21 have to drill the entire southwest quarter of Section 11 on
22 40-acre spacing, and we'll have to do that in a time frame
23 that -- well, actually within the next year, and would
24 result in four wells, two of which would be entirely
25 unnecessary.

1 Q. So in your opinion, the creation of these two new
2 pools and the adoption of special pool rules will be in the
3 best interests of conservation, the prevention of waste and
4 the protection of correlative rights?

5 A. Yes, I do.

6 Q. Now, Mr. Brown, are you seeking the adoption of
7 temporary rules at this time?

8 A. Yes, we are. I do feel that based on the past
9 precedents that's been shown in this area, that there is a
10 strong basis to go ahead and issue permanent field rules on
11 80-acre spacing for the Strawn and the Wolfcamp.

12 However, we've only been producing the well for
13 approximately a month, so as far as engineering and
14 geologic data, you know, we will accept temporary rules on
15 a time frame of a year to 18 months, in which case we'll
16 come back and should have sufficient data to show that our
17 well has performed similarly to the fields around us.

18 Q. Was Exhibit 3 prepared by you, Mr. Brown?

19 A. Yes, it was.

20 MS. TRUJILLO: Mr. Examiner, I offer Exhibit
21 Number 3.

22 And I have no further questions for the witness
23 at this time.

24 EXAMINER CATANACH: Exhibit Number 3 will be
25 admitted as evidence.

EXAMINATION

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BY EXAMINER CATANACH:

Q. Mr. Brown, have you examined the geologic evidence that you've obtained from the drilling of your well and satisfied yourself that you're not within one of the existing Strawn or Wolfcamp pools in this area?

A. Yes, I have. Manzano had hoped to place the well within the Diamond field. The logs look similar. However -- and I'm not sure if it was the State Engineer or the State Geologist -- when we presented the data to him, said he noted that the pressure did not -- pressure data from our DST did not show that we were in pressure communication.

However, I do believe that the Diamond and the Augusta will at least be on trend with each other, and, you know, should be very similar in their productive characteristics. But they are far apart and probably aren't connected in any pressure sense.

And the Wolfcamp, definitely, we are well away from any field and showed no depletion whatsoever.

Q. The Diamond is a Strawn pool, right?

A. It's a Strawn pool, yes, sir.

Q. Are you producing out of a similar-type algal mound reef --

A. Yes, sir.

1 Q. -- in the Strawn?

2 A. Yes, sir, it's -- The top 30 feet is porous, and
3 like I said, our wells were similar in thickness and in
4 porosity.

5 Q. Now, you say that your well logs look similar to
6 other Strawn and Wolfcamp wells in this area. Can you
7 elaborate on that?

8 A. The Strawn is -- The productive Strawn is algal
9 mound development. The nonproductive Strawn out here is
10 intermound. The intermound wells are thin and contain only
11 micrite and are extremely tight. They're just
12 nonproductive whatsoever, just tombstone rock.

13 And as you move into mound, you'll develop
14 porosity generally at the top on this side of the feature.
15 You move into the Lovington-Penn, you have multiple pod
16 development.

17 But on our side we'll have a -- There's mound
18 development at the top, and that's the productive rock in
19 the Diamond, and that's the productive rock in the
20 Chipshot.

21 Q. Mr. Brown, has your company looked at any
22 engineering data to try and determine the -- what the
23 proper spacing should be in this pool?

24 A. The Strawn -- We only produced it for a month,
25 and that included acid treatment and numerous things that

1 was done. No depletion was seen within that period of
 2 time, but there's just not enough data and not enough oil
 3 will be pulled out of either Wolfcamp or Strawn to show any
 4 kind of trend on the drainage yet.

5 But our flow rates are similar to the other
 6 fields. The initial flow rates and initial pressures are
 7 the same.

8 EXAMINER CATANACH: I have nothing further of
 9 this witness.

10 MS. TRUJILLO: Thank you, that concludes our
 11 case.

12 EXAMINER CATANACH: Okay, there being nothing
 13 further in this case, Case Number 11,617 will be taken
 14 under advisement.

15 (Thereupon, these proceedings were concluded at
 16 9:54 a.m.)

17 * * *

21 I do hereby certify that the foregoing is
 22 a correct and true copy of the proceedings
 23 heard by me on Sept 26 1996
 24 David R. Catanach, Examiner
 25 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 October 5th, 1996.



STEVEN T. BRENNER
 CCR No. 7

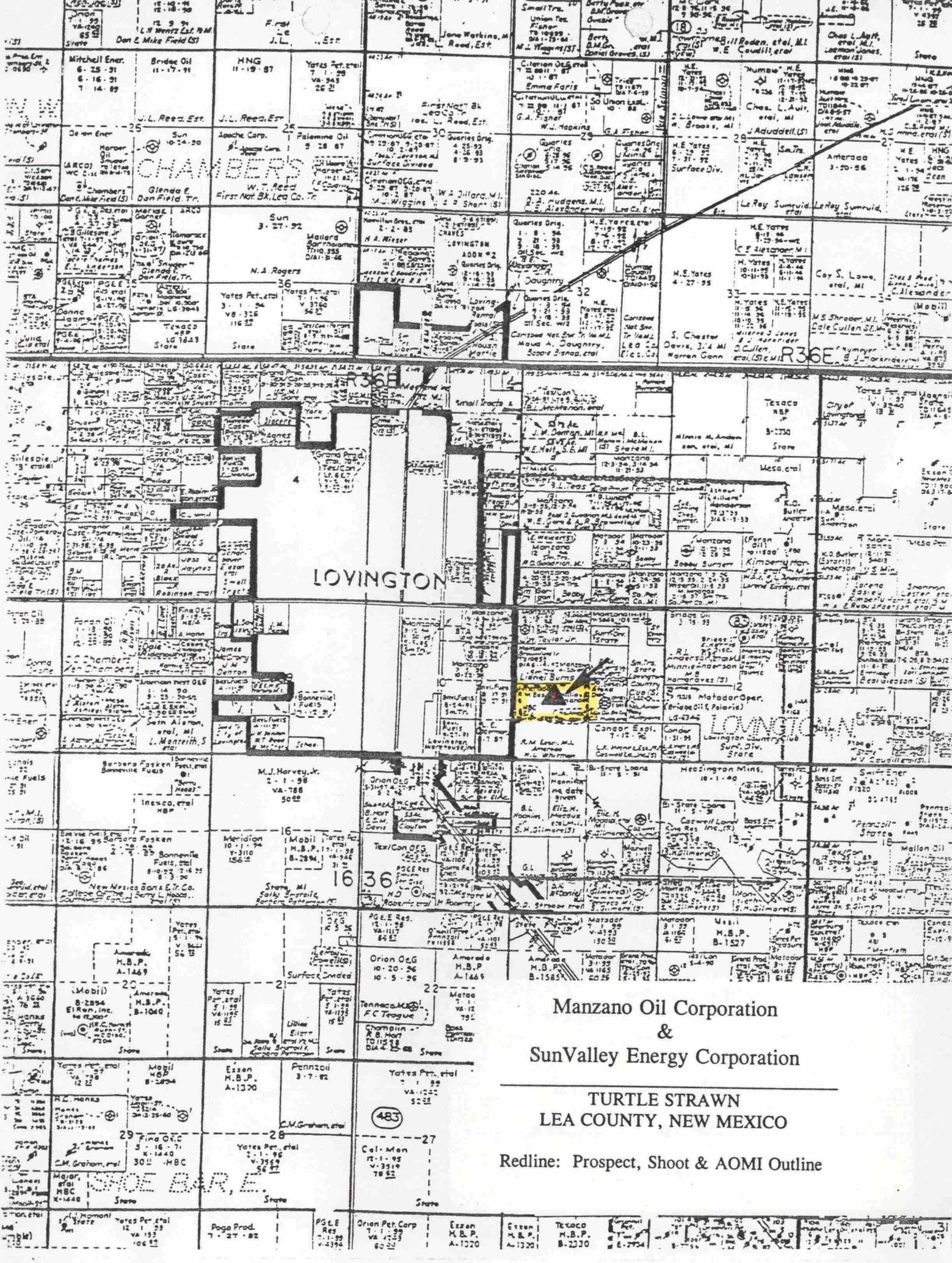
My commission expires: October 14, 1998

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11617 Exhibit No. 1

Submitted by: Manzano Oil Corporation

Hearing Date: September 26, 1996



Manzano Oil Corporation
&
SunValley Energy Corporation

TURTLE STRAWN
LEA COUNTY, NEW MEXICO

Redline: Prospect, Shoot & AOMI Outline

483

SHOE B.P.E.

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11617 Exhibit No. 1

Submitted by: Manzano Oil Corporation

Hearing Date: September 26, 1996

EXHIBIT A

Silvyn Butts Ponder
1008 Burton Hill Rd., Apt. 126
Ft Worth, TX 76114

Freda Crawford
2426 McKee Street
Orange, TX 77630

Mr. and Mrs. Walter Shields
Post Office Box 334
Daingerfield, TX 75638

Mr. and Mrs. Choice B. Matthews
1000 Remschel
Kerrville, TX 78028

Oliver Wayne Butts
610 W. Hubbard
Suite 501
Coeur D Alene, Idaho 83814

Eutie Velma Andrew
Post Office Box 1143
Karnes City, TX 78118

Alva Hagan
3216 Daniels Street
Dallas, TX 75206

Opal Poovey
510 Drexel
El Dorado, AR 71730

L. Wayne Mahan
8400 N. Cactus
Hobbs, NM 88241

Mr. James C. Ritchie
c/o Rodey, Dickason, Sloan,
Akin & Robb, P.A.
Post Office Box 1888
Albuquerque, NM 87103

Estate of Mittie Kerr, Deceased
Rt. 3, 402 South Main
Quitman, TX 75783

Estate of James T. Butt, Deceased
880 Tully #21
Houston, TX 77079

Estate of Vernon Rue Evans, Deceased
Rt. 1, Box 301
Brenham, TX 77833

Roylene Klinglesmith
804 Bobwhite Drive
Frisco, TX 75034

Rue Paula Mitchell
Post Office Box 2452
Globe, AZ 85501

Lawrence T. Cox
Post Office Box 271
Solomon, AZ 85551

No response

that one is a 1st.

Elm willing to leave

20% total

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
TELECOPIER (505) 983-6043

September 5, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Manzano Oil Corporation for Pool Creation, Special Pool Rules and Compulsory Pooling, Lea County, New Mexico

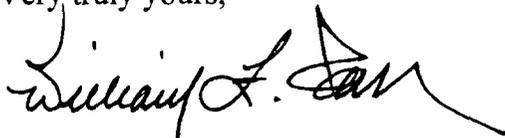
Gentlemen:

This letter is to advise you that Manzano Oil Corporation has filed the enclosed application with the New Mexico Oil Conservation Division. You are the owner of an interest that may be affected by this application.

This matter has been set for hearing before a Division Examiner on September 26, 1996. You are not required to attend this hearing but you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Pre-Hearing Statement substantially in the form prescribed by the Division. Pre-Hearing Statements should be filed by 4:00 p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
Attorney for Manzano Oil Corporation

WFC:mlh

cc: Ken Barbe

P 329 626 165

US Postal Service
Receipt for Certified Mail

Silvyn Butts Ponder
1008 Burton Hill Rd., Apt. 126
Ft Worth, TX 76114

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995

ATTEMPTED, NOT KNOWN
RETURNED TO SENDER

ATTEMPTED, NOT KNOWN
RETURNED TO SENDER
SILVYN BUTTS PONDER
1008 BURTON HILL RD., APT. 126
FT WORTH, TX 76114

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

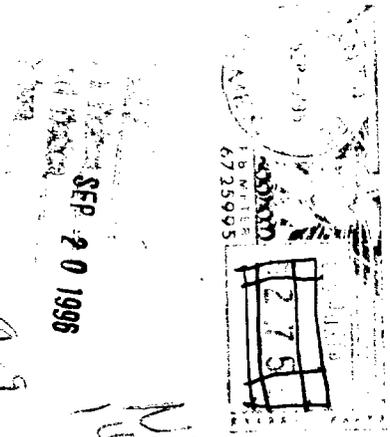
P 329 626 165

CERTIFIED

MAIL

mmk

*9-9
11-14
24*



CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

LAWYERS

POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

CERTIFIED

P 329 626 166

MAIL

FORWARDING ORDER EXPIRES

Freda Crawford
2426 McKee Street
Orange, TX 77630

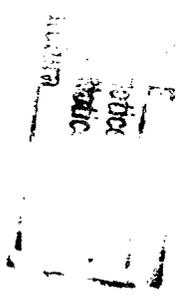
P 329 626 166
US Postal Service
Receipt for Certified Mail

Freda Crawford
2426 McKee Street
Orange, TX 77630

PS Form 3800 April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP 5 1996

For CR



CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

LAWYERS

POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

CERTIFIED

P 329 626 167

MAIL



NAME _____
1st Notice _____
2nd Notice _____
Return _____

ATTEMPTED, NOT KNOWN
RETURNED TO SENDER
Mr. and Mrs. Walter Shields
Post Office Box 334
Daingerfield, TX 75638
ATTEMPTED, NOT KNOWN
RETURNED TO SENDER
NOT DELIVERABLE
AS ADDRESSED
UNABLE TO FORWARD

P 329 626 167

US Postal Service
Receipt for Certified Mail

Mr. and Mrs. Walter Shields
Post Office Box 334
Daingerfield, TX 75638

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

P 329 626 168

CERTIFIED

MAIL



SEP 12 1996

Office _____
Notice _____

FTE
2-15
W

**NOT DELIVERABLE
UNABLE TO FORWARD
KERRVILLE TEXAS 78028-9998**

RETURN TO: Mrs. Choice B. Matthews
1000 Remschel
Kerrville, TX 78028

P 329 626 168

US Postal Service
Receipt for Certified Mail

Mr. and Mrs. Choice B. Matthews
1000 Remschel
Kerrville, TX 78028

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995

87504-2208
Post Office Box 2208 Santa Fe, NM 87504-2208

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
 LAWYERS
 POST OFFICE BOX 2208
 SANTA FE, NEW MEXICO 87504-2208

P 329 626 170

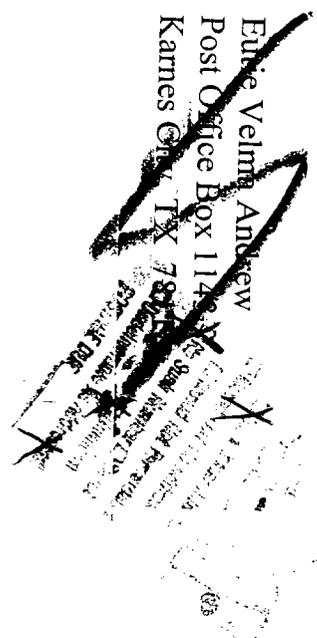
CERTIFIED

MAIL



PS Form 3800, April 1995
 1st No. 2
 2nd No. 001
 Return

Eutie Velma Andrew
 Post Office Box 1143
 Karnes City, TX 78102



P 329 626 170

US Postal Service
Receipt for Certified Mail

Eutie Velma Andrew
 Post Office Box 1143
 Karnes City, TX 78118

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 27 1996

PS Form 3800, April 1995

87504-2208

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

ATTEMPTED TO DELIVER
RECEIVED BY
TO
RETURNED TO
DALLAS TX 75206-3938
4-2208

Alva Hagan
3216 Daniels Street
Dallas, TX 75206

P 329 626 171
US Postal Service
Receipt for Certified Mail

Alva Hagan
3216 Daniels Street
Dallas, TX 75206

CERTIFIED

P 329 626 171

MAIL

SEP 16 1996
PM 7:55
DALLAS TX 75206

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995

SEP 18 1996
1st Notice
2nd Notice
Return

SEP 18 1996
PM 7:55
DALLAS TX 75206
0725095

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.

LAWYERS

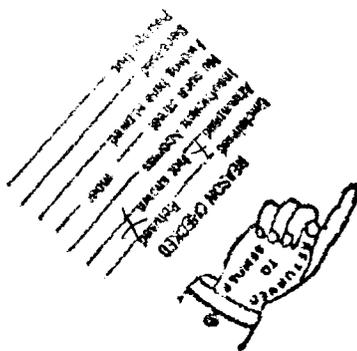
POST OFFICE BOX 2208

SANTA FE, NEW MEXICO 87504-2208

CERTIFIED

P 329 626 172

MAIL



~~Opal Poovey
510 Drexel
El Dorado, AR 71730~~
9-7-96
KD
C-27
Att. conf.
SEP 20 1996

P 329 626 172

US Postal Service
Receipt for Certified Mail

Opal Poovey
510 Drexel
El Dorado, AR 71730

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995

P 329 626 173

US Postal Service

Receipt for Certified Mail

L. Wayne Mahan
8400 N. Cactus
Hobbs, NM 88241

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date SEP 5 1996	

P 329 626 174

US Postal Service
Receipt for Certified Mail
 Mr. James C. Ritchie
 c/o Rodey, Dickason, Sloan,
 Akin & Robb, P.A.
 Post Office Box 1888
 Albuquerque, NM 87103

PS Form 3800 April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Mr. James C. Ritchie
 c/o Rodey, Dickason, Sloan,
 Akin & Robb, P.A.
 Post Office Box 1888
 Albuquerque, NM 87103

4a. Article Number
 P 329 626 174

4b. Service Type
 Registered
 Express Mail
 Certified
 Insured
 Return Receipt for Merchandise
 COD

5. Received By: (Print Name)
 MR. J. C. RITCHIE

6. Signature: (Addressee or Agent)
 James C. Ritchie

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Estate of Mittie Kerr, Deceased
Rt. 3, 402 South Main
Quitman, TX 75783

4a. Article Number

P 329 626 175

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise
- COD
- Certified
- Insured

7. Date of Delivery

9/10/96

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

PHUK LOU

6. Signature: (Addressee or Agent)

X *[Signature]*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 329 626 175

US Postal Service
Receipt for Certified Mail

Estate of Mittie Kerr, Deceased
Rt. 3, 402 South Main
Quitman, TX 75783

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP 15 1996

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

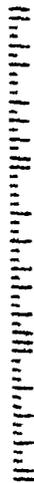
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

P 329 626 176
US Postal Service
Receipt for Certified Mail

Estate of James T. Butt, Deceased
880 Tully #21
Houston, TX 77079

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP - 5 1996

PS Form 3800, April 1995



Handwritten notes and stamps including:
- "RETURN TO SENDER" (mirrored)
- "WARNING ORDER" (mirrored)
- "Estate of James T. Butt, Deceased" (mirrored)
- "880 TULLY #21 HOUSTON TX 77079" (mirrored)
- "2091" (handwritten)

CERTIFIED MAIL
P 329 626 176
SEP 7 5:17 PM '96



SEP 11 1996
Return

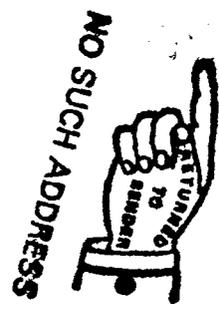
CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

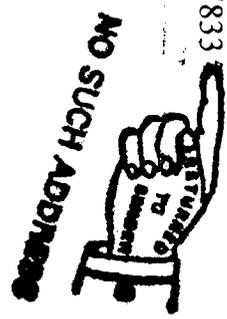
P 329 626 177

CERTIFIED

MAIL



Estate of Vernon Rue Evans, Dec.
Rt. 1, Box 301
Brenham, TX 77833



NAME
1st Notice
2nd Notice
Return

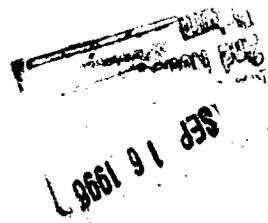
P 329 626 177

US Postal Service
Receipt for Certified Mail

Estate of Vernon Rue Evans, Dec.
Rt. 1, Box 301
Brenham, TX 77833

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	SEP 16 1996

PS Form 3800 April 1995



Is your **RETURN ADDRESS** completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Rue Paula Mitchell
 Post Office Box 2452
 Globe, AZ 85501

4a. Article Number

P 329 626 179

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise
- COD
- Certified
- Insured

7. Date of Delivery
 SEP 17 1995

5. Received By: (Print Name)

X Signature (Addressee or Agent)
Rue Paula Mitchell

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

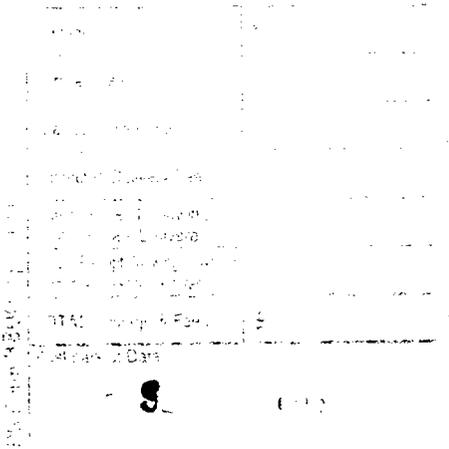
Domestic Return Receipt

Thank you for using Return Receipt Service.

P 329 626 179

Post Office Service
 Receipt for Certified Mail

Rue Paula Mitchell
 Post Office Box 2452
 Globe, AZ 85501



Is your **RETURN ADDRESS** completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Lawrence T. Cox
 Post Office Box 271
 Solomon, AZ 85551

4a. Article Number

P 329 626 180

4b. Service Type

- Registered
- Express Mail
- Certified
- Return Receipt for Insured

7. Date of Delivery

NOV 1 1999
 SOLOMON AZ 85551

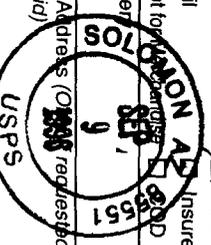
8. Addressee's Address (Other than registered and fee is paid)

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)
 X *Lawrence T. Cox*

PS Form 3811, December 1994

Domestic Return Receipt



Thank you for using Return Receipt Service.

P 329 626 180

US Postal Service
 Receipt for Certified Mail

Lawrence T. Cox
 Post Office Box 271
 Solomon, AZ 85551

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date:	NOV 1 1999

PS Form 3811, April 1999

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

Case No. 11617 Exhibit No. 3

Submitted by: Manzano Oil Corporation

Hearing Date: September 26, 1996