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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9882, CASE 9888, CASE 9889, CASE 9892  
CASE 9893, CASE 9881, CASE 9894, CASE 9895  
CASE 9897, CASE 9898, CASE 9884, CASE 9885

EXAMINER HEARING

IN THE MATTER OF:

CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

March 21, 1990

A P P E A R A N C E S

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FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Divison  
State Land Office Building  
Santa Fe, New Mexico

1                   EXAMINER STOGNER: This hearing will come  
2 to order for Docket 9-90. Today is March 21, 1990.  
3 I'm Michael E. Stogner, appointed hearing officer for  
4 today's cases. I call all the continued and dismissed  
5 cases at this time. First I'll call Case No. 9882.

6                   MR. STOVALL: Application of Controlled  
7 Recovery, Inc., for an oil treating plant permit, for  
8 surface water disposal, and an exception to Order No.  
9 R-3221, Lea County, New Mexico.

10                   Applicant requests this case be continued  
11 to April 4, 1990.

12                   EXAMINER STOGNER: Case No. 9882 will be so  
13 continued.

14                                   \* \* \* \* \*

15                   EXAMINER STOGNER: Call next case, No.  
16 9888.

17                   MR. STOVALL: Application of Conoco, Inc.,  
18 for compulsory pooling, Lea County, New Mexico.

19                   Applicant requests this case be continued  
20 to April 4, 1990.

21                   EXAMINER STOGNER: Case No. 9888 will be so  
22 continued.

23                                   \* \* \* \* \*

24                   EXAMINER STOGNER: Call next case, No.  
25 9889.

1 MR. STOVALL: Application of Meridian Oil,  
2 Inc., for temporary well testing allowable for certain  
3 wells in the Parkway-Delaware Pool, Eddy County, New  
4 Mexico.

5 Applicant requests this case be continued  
6 to April 18, 1990.

7 EXAMINER STOGNER: Case No. 9889 will be so  
8 continued.

9 \* \* \* \* \*

10 EXAMINER STOGNER: Second page. I'll call  
11 Case No. 9892.

12 MR. STOVALL: Application of Pacific  
13 Enterprises Oil Company (USA) for compulsory pooling,  
14 Eddy County, New Mexico.

15 Applicant requests this case be dismissed.

16 EXAMINER STOGNER: Case No. 9892 will be  
17 dismissed.

18 \* \* \* \* \*

19 EXAMINER STOGNER: Call next case, No.  
20 9893.

21 MR. STOVALL: Application of Pacific  
22 Enterprises Oil Company (USA) for compulsory pooling,  
23 Eddy County, New Mexico.

24 Applicant requests this case be continued  
25 to April 4, 1990.

1 EXAMINER STOGNER: Case No. 9893 will be so  
2 continued.

3 \* \* \* \* \*

4 EXAMINER STOGNER: Call next case, No.  
5 9881.

6 MR. STOVALL: Application of Richmond  
7 Petroleum, Inc., for compulsory pooling, unorthodox  
8 coal gas well location, and a non-standard gas spacing  
9 and proration unit, San Juan and Rio Arriba Counties,  
10 New Mexico.

11 Applicant requests this case be continued  
12 to April 4, 1990.

13 EXAMINER STOGNER: Case No. 9881 will be so  
14 continued.

15 \* \* \* \* \*

16 EXAMINER STOGNER: Call next case, No.  
17 9894.

18 MR. STOVALL: Application of Richmond  
19 Petroleum, Inc., for compulsory pooling, unorthodox  
20 coal gas well location, and a non-standard gas spacing  
21 and proration unit, San Juan and Rio Arriba Counties,  
22 New Mexico.

23 Applicant requests this case be continued  
24 to April 4, 1990.

25 EXAMINER STOGNER: Case No. 9894 will be so

1 continued.

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\* \* \* \* \*

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EXAMINER STOGNER: Call next case, No.

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9895.

5

MR. STOVALL: Application of Richmond  
6 Petroleum, Inc., for compulsory pooling and an  
7 unorthodox coal gas well location, San Juan and Rio  
8 Arriba Counties, New Mexico.

9

Applicant requests this case be continued  
10 to April 4, 1990.

11

EXAMINER STOGNER: Case No. 9895 will be so

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continued.

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\* \* \* \* \*

14

EXAMINER STOGNER: Call next case, No.

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9897.

16

MR. STOVALL: Application of Siete Oil &  
17 Gas Corporation for a waterflood project, Eddy County,  
18 New Mexico.

19

Applicant requests this case be continued  
20 to April 4, 1990.

21

EXAMINER STOGNER: Case No. 9897 will be so

22

continued.

23

\* \* \* \* \*

24

EXAMINER STOGNER: Call next case, No.

25

9898.

1 MR. STOVALL: Application of Doyle Hartman  
2 for compulsory pooling, a non-standard gas proration  
3 unit and simultaneous dedication, Lea County, New  
4 Mexico.

5 Applicant requests this case be continued  
6 to April 4, 1990.

7 EXAMINER STOGNER: Case No. 9898 will be so  
8 continued.

9 \* \* \* \* \*

10 EXAMINER STOGNER: Call next case, No.  
11 9884.

12 MR. STOVALL: Application of OXY USA, Inc.,  
13 for compulsory pooling, non-standard gas proration  
14 unit and simultaneous dedication, Lea County, New  
15 Mexico.

16 Applicant requests this case be dismissed.

17 EXAMINER STOGNER: Case 9884 will be  
18 dismissed.

19 \* \* \* \* \*

20 EXAMINER STOGNER: Call next case, No.  
21 9885.

22 MR. STOVALL: Application of Doyle Hartman  
23 for compulsory pooling, a non-standard gas proration  
24 unit and simultaneous dedication, Lea County, New  
25 Mexico.

1                    Applicant requests this case be continued  
2 to April 4, 1990.

3                    EXAMINER STOGNER: Case No. 9885 will be so  
4 continued.

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CERTIFICATE OF REPORTER

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STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )

I, Carla Diane Rodriguez, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; 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 March 21, 1990.

*Carla Diane Rodriguez*  
CARLA DIANE RODRIGUEZ  
CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing is a complete record of the proceedings in the Examine hearing of Case No. 9898, heard by me on 21 March 1990.

*Michael J. ...*, Examiner  
Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9899, CASE 9888, CASE 9903,  
CASE 9885, CASE 9898, CASE 9904,  
CASE 9905

EXAMINER HEARING

CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

APRIL 4, 1990

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A P P E A R A N C E S

FOR THE DIVISION:            ROBERT G. STOVALL  
   Attorney at Law  
   Legal Counsel to the Division  
   State Land Office Building  
   Santa Fe, New Mexico

\* \* \*

I N D E X

	Page Number
Appearances	2
Certificate of Reporter	7

\* \* \*

1           WHEREUPON, the following proceedings were had  
2 at 8:15 a.m.:

3           EXAMINER CATANACH: Call the hearing to order  
4 this morning for Docket Number 10-90.

5           First off, we'll call the dismissals and  
6 continuances.

7           Call Case 9899.

8           MR. STOVALL: Application of BTA Oil  
9 Producers for an unorthodox gas well location, Eddy  
10 County, New Mexico.

11           Applicants request this case be dismissed.

12           EXAMINER CATANACH: Case 9899 is hereby  
13 dismissed.

14   \* \* \*

15           EXAMINER CATANACH: Call Case 9888.

16           MR. STOVALL: Application of Conoco, Inc.,  
17 for compulsory pooling, Lea County New Mexico.

18           Applicant has requested this case be  
19 dismissed.

20           EXAMINER CATANACH: Case 9888 is hereby  
21 dismissed.

22   \* \* \*

23           EXAMINER CATANACH: Call Case 9903.

24           MR. STOVALL: Application of Yates Petroleum  
25 Corporation for directional drilling and an unorthodox

1 gas well location, Eddy County, New Mexico.

2 Applicants request this case be continued and  
3 readvertised for April 18th, 1990.

4 EXAMINER CATANACH: Case 9903 is hereby  
5 continued to the April 18th Docket.

6 \* \* \*

7 EXAMINER CATANACH: Call Case 9885.

8 MR. STOVALL: Application of Doyle Hartman  
9 for compulsory pooling, a non-standard gas proration  
10 unit and simultaneous dedication, Lea County, New  
11 Mexico.

12 Applicant has requested this case be  
13 dismissed.

14 EXAMINER CATANACH: Case 9885 is hereby  
15 dismissed.

16 \* \* \*

17 EXAMINER CATANACH: Call Case 9898.

18 MR. STOVALL: Application of Doyle Hartman  
19 for compulsory pooling, a non-standard gas proration  
20 unit and simultaneous dedication, Lea County, New  
21 Mexico.

22 Applicant has requested this case be  
23 continued to May 2nd, 1990.

24 EXAMINER CATANACH: Case 9898 is hereby  
25 continued to the May 2nd docket.

1 \* \* \*

2 (Off the record)

3 EXAMINER CATANACH: Let's retract a little  
4 bit. At this time let's call Case 9904.

5 MR. STOVALL: Application of Nassau  
6 Resources, Inc., for an unorthodox coal gas well  
7 location, Rio Arriba County, New Mexico.

8 EXAMINER CATANACH: Are there appearances in  
9 this case?

10 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin  
11 of the Santa Fe law firm of Kellahin, Kellahin and  
12 Aubrey, appearing on behalf of the Applicant. We  
13 request at this time that you also call case 9905.

14 EXAMINER CATANACH: Call Case 9905.

15 MR. STOVALL: Application of Nassau  
16 Resources, Inc., for unorthodox coal gas well location,  
17 Rio Arriba County, New Mexico.

18 MR. KELLAHIN: I don't know if there are any  
19 other appearances, Mr. Examiner.

20 EXAMINER CATANACH: Oh, are there any other  
21 appearances in either one of these cases?

22 MR. KELLAHIN: There being no other  
23 appearances, Mr. Examiner, we would request that both  
24 applications be dismissed and the request for  
25 unorthodox locations be returned to the Division for

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administrative processing.

EXAMINER CATANACH: Case 9904 and 9905 are  
hereby dismissed.

\* \* \*

I do hereby certify that the foregoing is  
a correct report of the proceedings in  
the executive hearing of Case No. 9904,  
heard by me on April 4, 1990.

David R. Catanach, Examiner  
Oil Conservation Division





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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9923, CASE 9924, CASE 9926,  
CASE 9927, CASE 9911, CASE 9930,  
CASE 9931, CASE 9918, CASE 9919,  
CASE 9907, CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Continued Cases

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 2, 1990

1           WHEREUPON, the following proceedings were had  
2 at 8:20 a.m.:

3           EXAMINER CATANACH: Call the hearing to order  
4 this morning for Docket Number 12-90.

5           At this time we'll call the continuances.

6           At this time I'll call Case 9923, the  
7 Application of Santa Fe Energy Operating Partners,  
8 L.P., for surface commingling, Lea County, New Mexico.

9           At the Applicant's request, this case will be  
10 continued to the May 16th, 1990, docket.

11                           \* \* \*

12           EXAMINER CATANACH: Call Case 9924, the  
13 Application of Strata Production Company to amend  
14 Division Order No. 9097, Eddy County, New Mexico.

15           At the Applicant's request, this case will be  
16 continued to the May 16th, 1990, docket.

17                           \* \* \*

18           EXAMINER CATANACH: Call Case 9926, the  
19 Application of Mewborn Oil Company for compulsory  
20 pooling and an unorthodox gas well location, Eddy  
21 County, New Mexico.

22           At the Applicant's request, this case will be  
23 continued to May 30th, 1990.

24                           \* \* \*

25

1                   EXAMINER CATANACH: Call Case 9927, the  
2 Application of Pacific Enterprises Oil Company (USA)  
3 for compulsory pooling, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6   \* \* \*

7  
8                   EXAMINER CATANACH: At this time we'll call  
9 Case 9911, Application of Union Oil Company of  
10 California for a highly deviated directional drilling  
11 pilot project and unorthodox coal gas well location,  
12 Rio Arriba County, New Mexico.

13                   At the Applicant's request, this case will be  
14 continued to the May 16th, 1990, docket.

15   \* \* \*

16  
17                   EXAMINER CATANACH: Case 9930, the  
18 Application of Union Oil Company of California to amend  
19 Division Order Number R-6375, as amended, Rio Arriba  
20 County, New Mexico.

21                   At the Applicant's request, this case will be  
22 continued to the May 16th, 1990, docket.

23   \* \* \*

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1 EXAMINER CATANACH: Case 9931, Application of  
2 Arco Oil and Gas Company for a pressure maintenance  
3 expansion, Eddy County, New Mexico.

4 At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6 \* \* \*

7  
8 EXAMINER CATANACH: Case 9918, Application of  
9 Mesa Operating Limited Partnership for compulsory  
10 pooling, San Juan County, New Mexico.

11 At the Applicant's request, this case will be  
12 continued to the May 16th, 1990, docket.

13 \* \* \*

14  
15 EXAMINER CATANACH: Case 9919, Application of  
16 Mesa Operating Limited Partnership for compulsory  
17 pooling, San Juan County, New Mexico.

18 At the Applicant's request, this case will be  
19 continued to the May 16th, 1990, docket.

20 \* \* \*

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1                   EXAMINER CATANACH: Case 9907, Application of  
2 Enron Oil and Gas Company for compulsory pooling and an  
3 unorthodox location, Eddy County, New Mexico.

4                   At the Applicant's request, this case will be  
5 continued to the May 16th, 1990, docket.

6                   \* \* \*

7  
8                   EXAMINER CATANACH: And Case 9898,  
9 Application of Doyle Hartman for compulsory pooling, a  
10 non-standard gas proration unit and simultaneous  
11 dedication, Lea County, New Mexico.

12                   At the Applicant's request, this case will be  
13 continued to the May 16th, 1990, docket.

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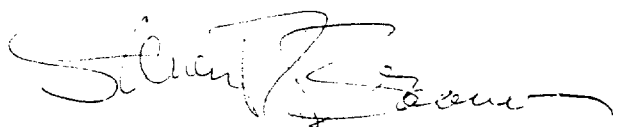
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
  )  ss.  
COUNTY OF SANTA FE  )

I, Steven T. Brenner, Certified Shorthand 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 May 24, 1990.



STEVEN T. BRENNER  
CSR No. 106

My commission expires: October 14, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 998 heard by me on May 2 1990.

  
\_\_\_\_\_, Examiner  
Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 9898

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman For Compulsory  
Pooling, a Non-standard Gas Proration Unit  
and Simultaneous Dedication, Lea County,  
New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

May ~~21~~, 1990  
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**ORIGINAL**

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FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Divison  
State Land Office Building  
Santa Fe, New Mexico

FOR THE APPLICANT:

J. E. GALLEGOS, ESQ.  
300 Paseo de Peralta, #100  
Santa Fe, New Mexico 87501

FOR CHEVRON U.S.A.:

WILLIAM F. CARR, ESQ.  
CAMPBELL & BLACK, P.A.  
Post Office Box 2208  
Santa Fe, N.M. 87504-2208



## I N D E X

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1 HEARING EXAMINER: This hearing will come  
2 to order.

3 I'll call the next case, Case No. 9898.

4 MR. STOVALL: Application of Doyle Hartman  
5 for compulsory pooling, a non-standard gas proration  
6 unit and simultaneous dedication, Lea County, New  
7 Mexico.

8 HEARING EXAMINER: I'll call for  
9 appearances.

10 MR. GALLEGOS: Appearing for the Applicant  
11 Doyle Hartman, Gene Gallegos, Santa Fe, New Mexico.

12 HEARING EXAMINER: Are there any other  
13 appearances?

14 MR. CARR: May it please the Examiner, my  
15 name is William F. Carr, with the law firm Campbell &  
16 Black, P.A., of Santa Fe. I represent Chevron U.S.A.,  
17 Inc. I do not intend to call a witness.

18 HEARING EXAMINER: Are there any other  
19 appearances?

20 Will the witnesses please stand to be  
21 sworn?

22 HEARING EXAMINER: Mr. Gallegos?

23 MR. GALLEGOS: The Applicant calls Bryan  
24 Jones.

25

1                                    BRYAN JONES,  
2 the witness herein, after having been first duly  
3 sworn, was examined and testified as follows:

4                                    EXAMINATION

5 BY MR. GALLEGOS:

6            Q.        Would you state your name, please?

7            A.        Bryan Jones.

8            Q.        Where do you live, Mr. Jones?

9            A.        Midland, Texas.

10          Q.        Are you employed by Doyle Hartman?

11          A.        Yes, I am, as landman.

12          Q.        How long have you worked for Mr. Hartman?

13          A.        Since January 1, 1990.

14          Q.        How long have you been a petroleum landman?

15          A.        For approximately 17 years.

16          Q.        Have your credentials as an expert  
17 petroleum landman been accepted by this Commission and  
18 the oil and gas regulatory commissions of other  
19 states?

20          A.        Yes, they have, in the past.

21          Q.        Have you also testified in state and  
22 federal court as an expert witness on matters of  
23 mineral ownership and that type of thing?

24          A.        Yes, I have.

25                    MR. GALLEGOS: We offer the witness as an

1 expert.

2 HEARING EXAMINER: Mr. Jones is so  
3 qualified.

4 Q. Do you have personal knowledge of the  
5 application and of the exhibits that you're going to  
6 sponsor here and speak to in a few moments, Mr. Jones?

7 A. Yes, I do.

8 Q. Have you also been personally involved in  
9 the communications with and negotiations with the  
10 other mineral interests in these properties? That  
11 would include negotiations with Phillips, Union Texas,  
12 and other mineral interest owners?

13 A. Yes, I have.

14 Q. Let me ask you first, then, to address  
15 Exhibit No. 1, which is a map entitled Proposed  
16 Proration Unit, and would you explain to the Hearing  
17 Examiner what that exhibit shows?

18 A. First of all, it identifies the 280-acre  
19 nonstandard proration unit which we are applying for  
20 today. That's indicated in yellow.

21 Second of all, it also shows the  
22 surrounding proration units, the Eumont Gas Pool  
23 proration unit surrounding that proposed 280-acre  
24 proration unit.

25 It shows that the configuration of our

1 proposed 280-acre nonstandard unit is dictated solely  
2 by the configuration of the surrounding proration  
3 units.

4 It also shows the location of the  
5 surrounding Eumont wells plus the location of the two  
6 existing Eumont Gas Pool wells that we propose to  
7 simultaneously dedicate to our proration unit, plus  
8 the location of our proposed Eumont in-fill well.

9 Q. Does this proposed proration unit include  
10 40-acre units that previously were not included in any  
11 producing proration unit?

12 A. Yes, it does. The northeast northeast  
13 quarter of Section 8 was originally included in  
14 Chevron's Whitmire lease; however, when Chevron made  
15 their application to reconfigure that proration unit,  
16 they offered to let the owner at that time of that 40  
17 acres, which was Oxy, participate. Oxy declined to do  
18 so, so it isolated that 40. We have since purchased  
19 that 40 acres from Oxy.

20 The northeast of the northwest quarter of  
21 Section 8 was an isolated 40, which we have owned for  
22 some time, and also there was an isolated 40-acre  
23 tract in the southeast quarter of the southwest  
24 quarter of Section 5, and that's owned jointly between  
25 Phillips Petroleum, Union Texas, Doyle Hartman, and

1 several other people.

2 Q. Is there anything additional that you want  
3 to point out to the Examiner in connection with this  
4 exhibit, Mr. Jones?

5 A. I don't believe so.

6 Q. Let's go on, then, to Exhibit No. 2  
7 entitled Commitment of Acreage. Would you explain to  
8 the Examiner what that exhibit shows?

9 A. This is a tabulation of the working  
10 interest ownership within the 280-acre proposed  
11 proration unit. It identifies the owners under each  
12 particular tract. We've had it divided into four  
13 separate tracts. It indicates that we have  
14 approximately 94 percent of the acreage within the 280  
15 acres that has committed to participate in the  
16 drilling of the proposed Eumont in-fill well.

17 It shows that Doyle Hartman owns in excess  
18 of 75 percent of the working interest. Plus, attached  
19 to that tabulation, we have a photocopy of the record  
20 title assignment sent to Doyle Hartman and the other  
21 participants.

22 Q. Drawing your attention to tract No. 4,  
23 where there are other mineral interest owners besides  
24 Doyle Hartman and James Davidson--and if you would  
25 like to refer to Exhibit 4, please do so--I would like

1 for you to describe to the Examiner the efforts you've  
2 made to obtain the voluntary participation of the  
3 other mineral interest owners in this proration unit?

4 A. Beginning in July of 1986, Doyle Hartman  
5 made purchase and trade proposals to Union Texas and  
6 also to Phillips Petroleum regarding that particular  
7 tract.

8 In October of 1986 they entered into a  
9 preliminary agreement, had the instruments of transfer  
10 prepared. Subsequently that transaction fell  
11 through.

12 We renewed our efforts in the fall of  
13 1989--it was in October of 1989--and since that date  
14 we've made at least six different trade or purchase  
15 proposals to Union Texas and Phillips regarding that  
16 40 acres.

17 We've entered into a preliminary agreement  
18 with Phillips to purchase their interest in that 40  
19 acres, and Exhibit No. 3 is a letter from Phillips  
20 stating that we have entered into a preliminary  
21 agreement, that they have no objection to us  
22 compulsory pooling their interest here today.

23 Exhibit No. 4 are some letters and  
24 correspondence between us and Union Texas, the first  
25 one of which is a notification from Union Texas to

1 whoever it may concern. We were one of the concerned  
2 parties because we were a working interest in the same  
3 properties. They sold the existing wellbore on that  
4 particular 40-acre tract plus other wellbores to  
5 Amerada Hess.

6 Q. What else does Exhibit 4 show?

7 A. Right behind that we have a letter dated  
8 May 2 from myself to Union Texas. It has attached to  
9 it two different newspaper articles wherein Union  
10 Texas has been put up on the auction block, let's say,  
11 for sale, indicating that possibly they have financial  
12 problems and don't have the ability to further develop  
13 these properties.

14 The third letter attached there is a letter  
15 dated April 24th, where they declined our most recent  
16 purchase offer.

17 And the one prior to that was dated March  
18 5, 1990, and it was a trade purchase proposal, and we  
19 also included an AFE for the proposed Eumont in-fill  
20 well that we're proposing here today.

21 Q. Is a copy of that AFE included in Exhibit  
22 No. 4 as the last page?

23 A. Yes, it is, and it will be discussed by Mr.  
24 Stewart later.

25 Q. All right. Thank you. Do you have any



1 further comment or explanation of Exhibit 2?

2 A. No, sir.

3 Q. Would you turn your attention to Exhibit 5  
4 and state to the Examiner what that is?

5 A. That's a standard Form A.A.P.L. 610-1982  
6 operating agreement, which we prepared to cover the  
7 operation for the Britt-Laughlin Com. 280-acre  
8 nonstandard proration unit.

9 Q. Would you summarize the key terms of this  
10 operating agreement?

11 A. As I've stated, it's on A.A.P.L. Form  
12 610-1982. It names Doyle Hartman as the operator. It  
13 provides for the drilling of the Eumont in-fill well  
14 within six months from this date. It provides for a  
15 300-percent nonconsent penalty provision, and it  
16 provides for an overhead drilling well rate of \$5,500  
17 per well per month, and an overhead producing well  
18 rate of \$550 per well per month.

19 Q. Do you consider those terms to be customary  
20 and reasonable in this particular operating area?

21 A. For this particular area, yes, I do.

22 Q. Are these charges in line with the charges  
23 similarly charged by operators in this area?

24 A. Yes.

25 Q. Bearing in mind that Mr. Stewart will

1 present some of the additional supporting testimony  
2 from the engineering side to be relied on by the  
3 Applicant, would you summarize for the Examiner what  
4 the Applicant is seeking in this proceeding?

5         A.         We seek to have approved the creation of a  
6 280-acre nonstandard Eumont Gas Pool proration unit as  
7 is shown on Exhibit 1.

8                 We're asking for the compulsory pooling of  
9 all the mineral interests within the proposed 280-acre  
10 proration unit.

11                 We're asking for the simultaneous  
12 dedication of the existing two Eumont gas wells within  
13 that proration unit, plus the new in-fill well that we  
14 propose to drill.

15                 We propose to have Doyle Hartman designated  
16 as the operator. We propose to have Doyle Hartman  
17 recover 100 percent of his costs in drilling,  
18 completing and equipping the new in-fill well, plus a  
19 200-percent risk penalty, plus the equitable value of  
20 the costs attributable to the Britt-Laughlin Com. No.  
21 1, as will be discussed by Mr. Stewart later. That  
22 particular wellbore is in the northeast northwest  
23 quarter of Section 8.

24                 Finally, we would like to reserve the right  
25 to recover our costs attributable to the

1 Britt-Laughlin Com. No. 5, in the event it later  
2 proves to be commercially productive. It's currently  
3 a mechanical problem. And, again, Mr. Stewart will  
4 discuss that in detail.

5 Q. That's the well that's--

6 A. That is in the southwest quarter of the  
7 southeast quarter of Section 5.

8 MR. GALLEGOS: I have no further questions  
9 of the witness.

10 EXAMINATION

11 BY HEARING EXAMINER:

12 Q. Mr. Jones, the way I understand it,  
13 Phillips has not issued a written agreement, is that  
14 correct?

15 A. A written agreement of transfer of sale?

16 Q. Yes, sir.

17 A. No, sir, they have not. And we're waiting  
18 on a waiver of preferential right from Union Texas to  
19 Phillips for that. I believe they reference it in  
20 their letter of May 15, 1990.

21 HEARING EXAMINER: I'm sorry, Mr. Carr.  
22 I'll pass the witness to you at this time.

23 MR. CARR: I have no questions.

24 HEARING EXAMINER: Oh, okay.

25 Q. (BY HEARING EXAMINER) I was looking for

1 written correspondence for the Burr, Sutton, Fletcher  
2 and Nermyr interests?

3 A. We have an executed affidavit here from Mr.  
4 Harry Nutter, which states that we have corresponded  
5 with all of them and offered them an opportunity to  
6 participate in the well.

7 Q. Is that included in my exhibits?

8 MR. GALLEGOS: That will be Exhibit 13,  
9 and we also have an original that shows compliance.

10 HEARING EXAMINER: Can we go ahead and  
11 admit that? Would that be all right, Mr. Gallegos?

12 MR. GALLEGOS: Yes.

13 Q. (BY HEARING EXAMINER) Mr. Jones, you  
14 mentioned that since July of 1989?

15 A. 86.

16 Q. 86, Doyle Hartman has been negotiating the  
17 purchase or trade proposals. Was that with just  
18 Phillips and Union, or how about the other parties  
19 being force-pooled today?

20 A. We're including them, also. In 1986 they  
21 were all employees of Doyle Hartman, okay? They have  
22 all since left Mr. Hartman's employ.

23 Q. Mr. Jones, maybe you can help my memory  
24 here. This issue has been pending and continued for  
25 several hearings, if I remember right?

1           A.       That's correct.

2                   HEARING EXAMINER:   And, Mr. Gallegos, maybe  
3 you can help me, too.  Where do we stand on that  
4 Chevron case?

5           A.       Chevron was approved last month and the  
6 order was issued.

7                   HEARING EXAMINER:   That was after hearing?

8                   THE WITNESS:   Bill, do you remember that  
9 hearing?

10           MR. GALLEGOS:   That's the proration unit to  
11 the south, the upside down T.

12           MR. CARR:   Yes.

13           THE WITNESS:   That case number was 9878.

14           HEARING EXAMINER:   I'm going to take  
15 administrative notice of that particular order.

16           MR. GALLEGOS:   Our only concern at that  
17 time, you'll probably remember, Mr. Examiner, was that  
18 40 in the northeast of the northeast of Section 8.  
19 Since then Doyle Hartman has acquired that.  We were  
20 worried about it being stranded out there, so that's  
21 no problem any longer.

22           HEARING EXAMINER:   Mr. Stovall, do you have  
23 any questions?

24           MR. STOVALL:   No, I don't have any  
25 questions.

1 HEARING EXAMINER: I have no further  
2 questions of this witness.

3 Are there any other questions of Mr.  
4 Jones? If not, he may be excused.

5 MR. GALLEGOS: We call Michael Stewart.

6 MICHAEL STEWART,  
7 the witness herein, after having been first duly sworn  
8 upon his oath, was examined and testified as follows:

9 EXAMINATION

10 BY MR. GALLEGOS:

11 Q. Would you state your name, please?

12 A. Michael Stewart.

13 Q. Are you employed by Doyle Hartman?

14 A. That's correct.

15 Q. In what capacity?

16 A. Petroleum engineer.

17 Q. How long have you worked for Mr. Hartman?

18 A. Since July 1, 1989.

19 Q. You have not previously testified as an  
20 expert witness before this Commission, have you, Mr.  
21 Stewart?

22 A. No, not not before this Commission.

23 Q. Would you give the Examiner some  
24 information concerning your education and your  
25 experience in the industry?

1           A.       I graduated with a Bachelor of Science in  
2 petroleum engineering from Colorado School of Mines in  
3 1984. Worked approximately for six to eight months in  
4 Wyoming for a drilling contractor before moving to the  
5 Permian Basin.

6                    Since that time I've worked four years for  
7 independent oil producer Martin, Williams & Judson in  
8 the Permian Basin area as a reservoir and production  
9 engineer. Following my employment with M.W.J., I  
10 worked as a consulting engineer for a small pipeline  
11 and gathering firm, and then on July 1, 1989, was  
12 under the employment of Doyle Hartman.

13           Q.       And have you testified as an expert witness  
14 before the regulatory bodies of other states?

15           A.       That's correct; the Railroad Commission of  
16 Texas, specifically.

17                    MR. GALLEGOS: We offer Mr. Stewart as an  
18 expert petroleum engineer.

19                    HEARING EXAMINER: Mr. Stewart is so  
20 qualified.

21           Q.       Are you personally familiar with the  
22 engineering aspects of this application, and have you  
23 participated in the preparation of the exhibits that  
24 you're about to sponsor, Mr. Stewart?

25           A.       Yes, I have.

1 Q. Would you turn your attention, then, to  
2 Exhibit No. 6, and explain to the Examiner what that  
3 is?

4 A. Exhibit No. 6 is a contour structure map  
5 drawn on the horizon of the CUQ marker which is an  
6 in-house marker located approximately 50 feet above  
7 the top of the Commission's Queen Pick. The map is  
8 oriented approximately two miles south of the town of  
9 Monument, New Mexico.

10 Specifically in the center or near center  
11 of the map is Section 5 of 20 South, 37 East. In  
12 Sections 5 and 8, specifically the southeast quarter  
13 of 5, southeast quarter of southwest quarter of 5, the  
14 northeast quarter of northeast quarter of 8, and  
15 northeast quarter of northwest quarter of 8, is our  
16 proposed 280-acre proration unit.

17 The contour interval is drawn on the  
18 25-foot basis. The contour map specifically  
19 illustrates what's commonly known in industry as  
20 Monument High, which stretches from across the center  
21 of Section 6 down through the southwest quarter of  
22 Section 5, into the northwest quarter of Section 8.

23 There are several productive zones on the  
24 Monument High from the McGee-Ellenburger all the way  
25 up to the shallower Eumont Pools.



1           Also in the cross-section is a diagram  
2 showing our two proposed cross-sections, A-A', which  
3 basically trends north/south, and then cross-section  
4 B-B', which trends from west to the east. It picks up  
5 several Eumont producers in the area, including some  
6 recently drilled in-fill wells by Doyle Hartman.

7           Q.     Could you explain a bit further the CUQ  
8 marker that you referred to, and how that's used?

9           A.     The CUQ marker is a prevailing marker  
10 approximately 50 feet above the top of the Queen zone,  
11 actually located in the Lower Seven Rivers. We use it  
12 as a reflection of the Queen zone. All of our maps  
13 in-house were derived based on the CUQ marker because  
14 it's prevalent predominantly through Southeast New  
15 Mexico, whereas the actual Queen Pick, when porosity  
16 deteriorates, can be kind of troublesome.

17          Q.     Okay. On the wall here in view of the  
18 Examiner are copies of Exhibits 7 and 8, cross-section  
19 A-A' and cross-section B-B', as first illustrated on  
20 Exhibit 6.

21                 I would like to ask you to leave the  
22 witness chair and go up to Exhibits 7 and 8 on display  
23 and explain to the Examiner what they show, beginning  
24 with Exhibit 7.

25          A.     Exhibit 7 is a cross-section A-A', trending

1 from north to south through the proposed proration  
2 unit. It starts up to the north with the Texaco  
3 J. W. Cooper No. 5 well, which is the Eumont  
4 producer.

5           The main reason for the development of the  
6 cross-section is to show that the proposed proration  
7 unit is surrounded by productive Eumont gas wells.  
8 The domination of the production coming from what we  
9 refer to as the Penrose zone, which others refer to as  
10 the lower portion of the Queen Sand.

11           We start up at the north of the Texaco  
12 well, J. W. Cooper No. 5, which has been an excellent  
13 well, top allowable well, producing out of the Penrose  
14 completion--Penrose zone. It's cum'd approximately  
15 7.1 Bcf of gas and has deliverability in excess of 700  
16 Mcf per day. Proration unit for the Cooper is a  
17 standard 160, acreage factor of 1.0.

18           The next well we pick up is the existing  
19 Doyle Hartman Laughlin B No. 5 well, which we propose  
20 to rename as the Britt-Laughlin Com. No. 5. It was  
21 previously operated by Oxy. It's completed in the  
22 Penrose zone.

23           You can see by the production at the bottom  
24 of the cross-section it was an excellent well until  
25 the latter part of 1985 when they encountered some

1 type of mechanical problems.

2           Since our purchase of the well, we've been  
3 trying to isolate what that mechanical problem is. It  
4 currently produces approximately 22 Mcf a day or did  
5 produce a little fluid. The well is cum'd out of the  
6 Eumont approximately 5 Bcf.

7           Turning further south, We have the Chevron  
8 Whitmire No. 2 well, which is an abandoned Eumont  
9 well. It's cum'd approximately five and a half Bcf.  
10 It was once again completed in the Penrose zone, and  
11 last produced in December of 85.

12           Turning further south we jump a little bit  
13 to the east and pick up the Marathon-Laughlin No. 3  
14 well, another excellent Eumont well, completed in the  
15 Lower Seven Rivers--actually, the Queen and Penrose  
16 zones. It's cum'd approximately 5 Bcf and averaged,  
17 in 1989, 850 Mcf a day.

18           Then we drop down to the Texaco-Van Etten  
19 No. 10 well. It's a Eumont well, produces open-hole.  
20 Excellent well. Cumed 6 Bcf and still has  
21 deliverability of 250 Mcf a day.

22           One well of interest that we've just  
23 recently completed is our Doyle Hartman-Hansen State  
24 No. 7 well.

25           Q.     Let me interrupt you a minute. Is that an

1 example of an in-fill well similar to what would be  
2 accomplished here?

3           A.       That's correct. The existing well on the  
4 Hansen State lease, which is the northeast quarter of  
5 Section 16, was the Hansen State No. 4, which is a  
6 Eumont, produced or completed in the Lower Queen and  
7 Penrose zones. At the time we bought the lease from  
8 Marathon, the well was averaging approximately 80 Mcf  
9 a day, about two barrels of oil a day.

10                   We undertook the drilling of an in-fill  
11 Eumont well, the Hansen State No. 7, located at 900  
12 from the north, 1980 from the east in Section 16. We  
13 recently completed the well. It's pending a  
14 connection to the pipeline.

15                   After we completed it and stimulated it  
16 with acid, the well tested 241 Mcf a day. Following a  
17 fracture stimulation, the well tested in excess of 600  
18 Mcf a day. We anticipate it being a very good Eumont  
19 in-fill well, and is an excellent example of what we  
20 feel we can accomplish on the Britt-Laughlin gas  
21 proration unit.

22                   Moving over to cross-section B-B', this  
23 cross-section trends basically west from east. Once  
24 again, it's showing the continuous development of the  
25 Queen and main productive zone of the Queen, Penrose

1 throughout the area. It shows offsets on either side  
2 of the proration unit that have been excellent wells  
3 and have excellent cums and currently still have good  
4 deliverability. Anderson Prichard was the previous  
5 operator, now the Union Texas Laughlin Britt No. 3  
6 well.

7 HEARING EXAMINER: Which one?

8 THE WITNESS: Union Texas is the current  
9 operator. The previous operator was Anderson  
10 Prichard. For the record the titles were backwards.  
11 It's the Britt No. 3 well. It's located in the G spot  
12 of Section 7 and the west edge of the B-B'  
13 cross-section.

14 A. The well's cum'd to date, through 9 of 89,  
15 approximately 9.2 Bcf. Produced, averaged 617 Mcf a  
16 day during 1989. It's producing out of the Queen and  
17 Penrose zones.

18 The next well we pick up in the  
19 cross-section is the Arco or previous Sinclair-Barber  
20 No. 1 well. The completion interval in this well is  
21 the Lower Seven Rivers zone, which is still in the  
22 Eumont interval. It's cum'd approximately 9.7 Bcf and  
23 still has deliverability in excess of 800 Mcf a day.

24 The next well we picked up is the Doyle  
25 Hartman Britt "B-8" No. 1 well, which we propose to be

1 renamed as the Britt-Laughlin Com. No. 1.

2 We purchased the well from Conoco, which  
3 is, and still is, a top allowable Eumont well with a  
4 40-acre proration unit. It's cum'd 2.1 Bcf a day.  
5 1989's production averaged 60 Mcf a day.

6 Then we once again picked up a Laughlin No.  
7 5 well, which we propose to be the Britt-Laughlin Gas  
8 Com. No. 5. We picked that up in the cross-section  
9 A-A'.

10 Then we go through our proposed location,  
11 which we'll talk about later, located 1860 from the  
12 south line, 780 from the east line of Section 5.

13 And then we'll jump across, into Section 4,  
14 illustrating the two Exxon wells, the Eumont gas unit  
15 No. 1 well and the Eumont gas unit No. 2 well, No. 2  
16 well being located in the L spot of Section 4. It's  
17 cumed 5.3 Bcf, and has a deliverability of almost 300  
18 Mcf a day.

19 We pick up again the Eumont Gas Com. No. 1  
20 well, located in the J spot of Section 4. Again, a  
21 real good gas cum, 6.7 Bcf; average 148 Mcf of gas a  
22 day during 1989.

23 Once again we've incorporated in our  
24 cross-section an example of an existing well on a  
25 lease, and a newly drilled or in-fill well drilled by

1 Doyle Hartman. The Meridian now operates the Ellen  
2 Weir No. 1 well, located in spot N of Section 3. The  
3 original well on that lease was the Tenneco Ellen Weir  
4 No. 1, located in the L spot of Section 3. That well  
5 was drilled in 42 and completed in the Eumont in 1954,  
6 cum'd in the Eumont approximately 2.1 Bcf of gas. It  
7 was P and A'd 10/26 of 81.

8 At that time Doyle Hartman purchased that  
9 160-acre proration unit, drilled the Ellen Weir No. 1  
10 as an in-fill Eumont well. It was drilled in December  
11 of 81. Stimulated it and it tested, after the  
12 stimulation, about 494 Mcf a day, and to date it's  
13 cum'd almost six-tenths of a Bcf. Has deliverability  
14 of in excess of 700 Mcf a day, but 89's production was  
15 curtailed by low allowables to average 225 Mcf a day.

16 Once again, this is an example of an  
17 in-fill Eumont completion. The illustration that the  
18 existing well is on the lease have not drained all the  
19 reserves.

20 Q. If you would return to your seat, and also  
21 return your attention to Exhibit 6. Now, explain to  
22 the Examiner or point out to the Examiner the proposed  
23 in-fill well location and explain why that location  
24 has been selected.

25 A. The proposed location for the in-fill well

1 to be the Britt-Laughlin Gas Com. No. 6 is located at  
2 1860 from the south line, 760 from the east line in  
3 Section 5 of 20 South, 37 East. It's adjacent to the  
4 Laughlin No. 2 well, which is a Grayburg San Andres  
5 completion.

6           The well was situated in the northeast  
7 quarter of the southeast quarter, primarily for two  
8 reasons. We've got topographic constraints to the  
9 southwest of us, that being a northern natural main  
10 pipeline, six- and eight-inch pipeline, that traverses  
11 approximately northwest southeast through the center  
12 of the southeast quarter of 5. Several caliche roads,  
13 one that parallels the pipeline and one that is  
14 adjacent to the existing Sun well that constrains us  
15 topographically to our proposed location.

16           The other reason for locating the well in  
17 the northeast of the southeast of 5 is that our  
18 proposed simultaneous dedication of the Britt "B-8"  
19 No. 1 to be the Britt-Laughlin Gas Com. No. 1, and the  
20 Laughlin B No. 5 to be the Britt-Laughlin Gas Com. No.  
21 5, are situated in the southwest portion of our  
22 proposed 280-acre proration unit, and we feel like  
23 those wells are capable of producing and draining the  
24 acreage down there. And to effectively drain our  
25 proposed 280-proration unit, we situated the well in



1 the northeast quarter of the southeast quarter.

2 Q. In your opinion, at that location, do you  
3 believe that the proration unit will be most  
4 effectively and efficiently drained?

5 A. Yes, I do.

6 Q. Does Exhibit 9 show the surface  
7 restrictions that you already referred to?

8 A. That's correct. Exhibit 9, which is on the  
9 Form C-102, has not been fully completed as to  
10 producing formation pool and dedicated acreage and  
11 other information that will be decided here. There  
12 has been a survey by John West, a registered  
13 professional land surveyor in the State of New Mexico,  
14 showing the illustrated proposed location as being  
15 1860 from the south line, 760 from the east line.

16 And then in the northwest portion of the  
17 plat there's an inset as to the topographic  
18 constraints limiting us to our location. You can see  
19 the existing Oryx Laughlin No. 2 well, the Caliche  
20 Road that travels up to that well; then it shows our  
21 proposed location. And then to the south of our  
22 proposed location the Caliche Road and then the buried  
23 pipeline.

24 Q. Okay. Let me ask you to address Exhibit  
25 10. Explain what that is and what it shows.

1           A.       Exhibit 10 is a composite pressure-time  
2 plot for wells immediately offsetting the proposed  
3 280-acre proration unit. Basically on the Y axis we  
4 show shut-in pressure; on the X axis we show time, as  
5 far as year and date.

6           The several wells that are plotted here  
7 illustrate the declining pressure in the Eumont Gas  
8 Pool. They also show the correlated nature of the  
9 pressure, showing that the wells are all producing  
10 primarily out of the same reservoir. It shows in this  
11 area, if you're familiar with the Eumont Gas Pool, it  
12 currently, along with the Jalmat Pool, is a very  
13 low-pressure, high-quality reservoir, and it shows  
14 that we expect a shut-in pressure when we drill the  
15 No. 6 well of approximately 350 psi which we, through  
16 our experience, through Doyle's 10, 15 years of  
17 experience, solely developed in the Eumont and Jalmat  
18 Pools, and it is an excellent pressure and will yield  
19 excellent reserves and productivity.

20           Q.       Let's turn to Exhibit 11. What is that,  
21 Mr. Stewart?

22           A.       Exhibit No. 11 is the Authorization for  
23 Expenditure and Detail Well Estimate developed for the  
24 proposed in-fill Eumont well, the Britt-Laughlin Gas  
25 Com. No. 6. It's based on 100-percent working

1 interest.

2           The costs that are illustrated here are  
3 derived from me through my experience over the past  
4 year of drilling approximately nine Jalmat and Eumont  
5 in-fill wells and equipping them the way that we feel  
6 prudent to develop the reservoir, which has come with  
7 several years of experience.

8           The total cost for the producing well is  
9 illustrated as being \$399,724. That includes a  
10 10-percent contingency for both the drilling  
11 intangibles and the well equipment.

12           Q.       Would you speak to the second page of  
13 Exhibit 11?

14           A.       The second page is an AFE Authorization for  
15 Expenditure and Detail Pipeline Estimate. Currently  
16 with the new aspects of marketing your gas and the  
17 reduced role of the pipeline as a merchant, we're  
18 forced with gathering our gas ourselves and getting it  
19 to the market ourselves, so we've had to incur  
20 additional costs as far as building gathering lines  
21 and connecting it to existing pipeline facilities so  
22 they can transport your gas.

23           This AFE in detail illustrates the costs  
24 associated with connecting, after the successful  
25 drilling and completion of the No. 6 well, connecting

1 the well to an existing gas pipeline which is about  
2 200 feet away. It will include buried 6-inch  
3 polyethylene gas pipeline. It will include a check  
4 meter on the No. 6 well. It includes a sales meter  
5 that we're required to provide by Northern Natural  
6 Gas, who acts as a transporter for this gas.

7 The total of that AFE is \$21,410. It also  
8 includes 10-percent contingency on the intangibles for  
9 the pipeline and the tangibles or equipment.

10 Q. Would you turn your attention to Exhibit  
11 12, and explain what that is and why you prepared it?

12 A. Exhibit No. 12 is an attempt to estimate  
13 the well and production facilities value associated  
14 with the wells for one of the wells that we're asking  
15 for simultaneous dedication to the 280-acre proposed  
16 proration unit, that being the Britt "B-8" No. 1 or,  
17 as we propose, the Britt-Laughlin Com. No. 1.

18 The way we derive the value of that well to  
19 go into the forced pooling calculations, attached on  
20 the second page is an AFE to drill a well comparable  
21 to what we would drill and replace the No. 1 well.

22 This AFE is different from our proposed  
23 Britt Com. No. 6 AFE in that we set bigger production  
24 pipe, and the existing Britt B No. 1 has 5-1/2  
25 production pipe. And so this AFE is primarily based

1 on that. It totals \$390,680. That's illustrated in  
2 the first line of the first page of Exhibit 12.

3 Then, from that figure we subtracted all of  
4 the equipment or procedures that have not been  
5 included, do not exist on the Britt B-8 No. 1  
6 currently, that being cement does not exist behind the  
7 5-1/2 production string all the way to the surface.

8 We feel for a competent completion you  
9 should circulate cement all the way to surface. We  
10 subtracted from our AFE'd cost of \$399,680, \$15,500,  
11 to do a block squeeze job and circulate cement behind  
12 the production string to surface.

13 The Britt B-8 No. 1 has not been fracture  
14 stimulated. We subtracted the allocated \$135,000 to  
15 fracture stimulate the Britt B-8 well.

16 There's several pieces of equipment we feel  
17 are necessary for a competent Eumont completion that  
18 the Britt B-8 does not currently have, and we have  
19 subtracted those from the AFE cost. We're proposing  
20 that value of the existing Britt B-8 No. 1 to be  
21 \$188,570.

22 Q. In your opinion, is that a reasonable and  
23 equitable value for the operator to recover for his  
24 contribution of that existing wellbore to the  
25 proration unit?

1           A.       Yes, sir.

2           Q.       What position are you taking regarding the  
3 existing well that's known as the Britt-Laughlin Gas  
4 Com. No. 5?

5           A.       The Britt-Laughlin Gas Com. No. 5 is  
6 located 330 from the south line and 2310 from the east  
7 line of Section 5. We have encountered some--as I  
8 said when I was going over the cross-section, in 1985  
9 it appears that Oxy or City Service, at that time the  
10 operator, encountered mechanical problems with the  
11 well based upon the dramatic decrease of  
12 deliverability from that well.

13                       Since our assumed operations and purchase  
14 of the Laughlin B No. 5 well, we've put the well on  
15 pump and cleaned the well out and have encountered  
16 some mechanical problems, specifically some water  
17 problems.

18                       So, at this time we're not prepared to  
19 include any value on the Laughlin B No. 5. We would  
20 like to reserve the right to come back and ask for a  
21 value on it.

22                       What we plan to do is drill the No. 6 well  
23 first, do some testing, which we normally do, of  
24 potential problem zones below and above the Eumont gas  
25 producing interval, that have characteristics for

1 delivering large amounts of water. We will test those  
2 zones to get a better idea and hopefully isolate our  
3 mechanical problem on the Laughlin B No. 5.

4 At that time, after drilling the No. 6  
5 well, we'll make a decision whether we want to proceed  
6 with working over the No. 5 well.

7 Q. In your opinion, Mr. Stewart, would the  
8 formation of this proration unit and the operations as  
9 proposed, serve the best interests of the prevention  
10 of waste and the protection of correlative rights?

11 A. Yes, in my opinion it would.

12 MR. GALLEGOS: Pass the witness.

13 HEARING EXAMINER: Mr. Carr?

14 EXAMINATION

15 BY MR. CARR:

16 Q. Mr. Stewart, I would like to go back to the  
17 Britt-Laughlin Gas Com. No. 5 well. That's one of the  
18 older wells on this proration unit, is it not?

19 A. That's correct.

20 Q. That was operated by Oxy, I guess, until  
21 acquired by Mr. Hartman?

22 A. That's correct. We acquired it--I believe  
23 the assignment was effective the first quarter of this  
24 year sometime.

25 Q. Mr. Hartman may at some time want to

1 reenter and do a workover on that well?

2 A. Pending the results of the No. 6 well,  
3 that's correct.

4 Q. When this well was operated by Oxy, it had  
5 160 acres dedicated to it, did it not?

6 A. That's correct.

7 Q. And the location being 330 feet off the  
8 south line of Section 5, actually was a location that  
9 was grandfathered in when the Eumont was created,  
10 isn't that correct?

11 A. That's correct.

12 Q. Now, the nearest wellbore that Chevron now  
13 has offsetting that to the south is 660 feet back from  
14 that common lease line, isn't that right?

15 A. That's correct. You're referring to the  
16 Whitmire No. 2?

17 Q. Yes. So what we've got is a Hartman well  
18 twice as close to that common lease line as the  
19 Chevron well?

20 A. That's correct. Also the No. 2 well, I  
21 believe now, is nonproductive from the Eumont.

22 Q. Would it be acceptable to Mr. Hartman for  
23 the order that results from this hearing to provide  
24 that the No. 5 well, the production from that well be  
25 limited so as not to exceed what would be the 160-acre



1 Eumont allowable?

2 A. I believe that we would consider that and  
3 be in favor of that.

4 MR. GALLEGOS: Yes, we regard that as being  
5 acceptable.

6 MR. CARR: I have no further questions.

7 HEARING EXAMINER: Are there any other  
8 questions?

9 MR. GALLEGOS: I have no further questions.

10 EXAMINATION

11 BY HEARING EXAMINER:

12 Q. Mr. Stewart, I'm going to refer to Exhibit  
13 1. Let's talk a little bit about that Britt-Laughlin  
14 Gas Com. Well No. 2.

15 What are Doyle Hartman's proposed plans on  
16 that well and what's its present status?

17 A. The present status of the Britt-Laughlin  
18 Gas Com. No. 2, it was previously operated by Union  
19 Texas. Since that time we understand that they've  
20 assigned the wellbore to Amerada-Hess. It has  
21 potentially secondary recovery plans for this area.

22 It was a dual completion in the Eumont and  
23 Grayburg-San Andres zones. Currently the well has  
24 been TA'd by Union Texas in September of 89. It last  
25 produced in December of 1984 from the Eumont

1 interval.

2 We have no current plans for the  
3 Britt-Laughlin--or the Laughlin Gas Com. No. 2 well.  
4 We do have some concerns about the proper plugging and  
5 abandoning of the well.

6 Q. So there are no plans to bring that well  
7 back onto production? That was shown on the exhibit  
8 as information only for wells within in the proration  
9 unit produced from the Eumont?

10 A. That's correct.

11 Q. I think you gave me a location for that  
12 No. 5. I'm not sure--

13 A. The No. 5?

14 Q. I'm sorry. The No. 6 well.

15 A. No. 6 well is proposed to be located at  
16 1860 from the south line, 760 from the east line, and  
17 it's also illustrated on Exhibit 9.

18 Q. In your application you request a  
19 200-percent risk penalty. Does that still hold true?

20 A. That's correct.

21 Q. Now, this is an in-fill well. In fact,  
22 this will be the second producing well at present  
23 since the No. 5. Is that shut in? I'm sorry, the No.  
24 1?

25 A. The Britt "B-8" No. 1 located in the C

1 position, the C unit of Section 8, is a producing  
2 well. It's not this day producing, pending a gas  
3 market by Doyle Hartman. When we bought the well from  
4 Conoco it was a top allowable Eumont producer for a  
5 40-acre proration unit.

6 Q. Mr. Stewart, help me break this 200 percent  
7 down. When you talk of risk, what are we assuming?

8 A. In the Eumont, especially in this area,  
9 there are several risks involved with drilling an  
10 in-fill well, above and over the normal risk of  
11 drilling a well.

12 You've got the Grayburg-San Andres  
13 formation, which is, as you can see on the  
14 cross-sections, right below the Penrose formation.  
15 The area of the Grayburg-San Andres has a history of  
16 high water flows, and loss circulation.

17 Up above the proposed or productive horizon  
18 in the Yates, in the Seven Rivers, you've got the  
19 potential for, again, loss circulation zones. And  
20 injection in the area and offset waterfloods has known  
21 to come across bedding planes and provide water flows,  
22 which was prevalent over on the Ellen Weir lease in  
23 Section 3.

24 With that in mind, you've got--which were  
25 not included in the AFE's--you've got the potential

1 for running DV tools on your cement jobs, you've got  
2 the potential for sticking drill pipe while you're  
3 drilling loss circulation zones, excessive mud and  
4 water builds when you're drilling loss circulation  
5 zones.

6 Q. What other factors should be included in  
7 this 200 percent, because this also includes the  
8 drilling and completion, is that correct?

9 A. That's correct. Within the completion--of  
10 course, any well you drill is not 100-percent  
11 guaranteed to be a productive producer. We've tried  
12 to limit and use the information we have to our best  
13 ability to select an area that we feel like will be  
14 productive, but it's the inherent nature of the oil  
15 and gas industry that some risk is associated with  
16 drilling and completion.

17 On the completion side there's the risk of  
18 cement jobs on offset wells that are not competent,  
19 that can cause cross-flow into productive horizons.  
20 And when you complete that, complete your well in the  
21 productive zone, you can have additional costs to  
22 correct those problems or possibly have to abandon the  
23 well.

24 Q. Is the actual presence of a producing  
25 horizon ever a factor in the risk penalty?

1           A.       The presence of a producing horizon is a  
2 factor in that the porosity development and  
3 permeability development in this area and throughout  
4 the Eumont Pool is not, I guess in geological terms, a  
5 blanket or ever-present situation, that porosity on  
6 some wells, in the Eumont zone and the Queen zone, can  
7 be tight in areas where the offsets have shown good  
8 porosity and permeability. But 40-acre offsets have  
9 been known to be dry holes.

10                   HEARING EXAMINER: Any other questions of  
11 this witness?

12                   MR. STOVALL: I have a question with regard  
13 to Exhibit No. 12.

14                                   EXAMINATION  
15 BY MR. STOVALL:

16           Q.       You've come up with a value of roughly  
17 \$188,000 as the contribution that Hartman is making to  
18 the proration unit with the existing Britt-Laughlin  
19 Com. No. 1, is that correct?

20           A.       That's correct.

21           Q.       I assume that means what you're seeking is  
22 to recover the cost of that contribution from the  
23 parties who are pooled into this unit, whether  
24 voluntarily or force-pooled?

25           A.       That's correct.

1           Q.     Are you seeking to recover any sort of risk  
2 factor associated with that contribution?

3           A.     No.

4           MR. STOVALL:   Okay.

5           MR. GALLEGOS:   Mr. Examiner, one further  
6 question, if I may.

7                            FURTHER EXAMINATION

8 BY MR. GALLEGOS"

9           Q.     Mr. Stewart, has Phillips consented to the  
10 compulsory pooling along with the proposed 200-percent  
11 risk penalty?

12          A.     Yes, they have, and I believe that's  
13 witnessed by Exhibit 3, which is a letter from  
14 Phillips dated 5/15/90.

15          MR. GALLEGOS:   Thank you. That's all the  
16 questions I have of Mr. Stewart.

17          HEARING EXAMINER:   I don't believe I have  
18 any further questions of Mr. Stewart. Have we  
19 introduced all of the exhibits?

20          MR. GALLEGOS:   Yes. What I would like to  
21 do now is to also call to the attention of the  
22 Examiner, without the need for a witness, Exhibit 13,  
23 which is the Affidavit of Compliance with Rule 1207,  
24 and Exhibit 14, which is a packet of letters from the  
25 Laughlin heirs, who are the mineral interest owners in

1 the northeast of the northeast of Section 8. They're  
2 simply expressing their interest in being included in  
3 the producing proration unit.

4 With that, Mr. Examiner, I would like to  
5 offer in evidence Exhibits 1 through 14.

6 HEARING EXAMINER: Exhibits 1 through 14  
7 will be admitted into evidence at this time.

8 Does anybody else have anything further in  
9 Case No. 9898?

10 Mr. Gallegos, I am going to request a rough  
11 draft order from you in this case, please.

12 MR. GALLEGOS: All right, I'd be happy to  
13 do that.

14 HEARING EXAMINER: With that, if there's  
15 nothing else in this case, it will be taken under  
16 advisement.

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CERTIFICATE OF REPORTER

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STATE OF NEW MEXICO )  
  ) ss.  
COUNTY OF SANTA FE )

I, Carla Diane Rodriguez, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; 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 May 29, 1990.

*Carla Diane Rodriguez*  
CARLA DIANE RODRIGUEZ  
CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4898, heard by me on 16 May 1990.  
*M. J. Peterson*, Examiner  
Oil Conservation Division