

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9949

EXAMINER HEARING

IN THE MATTER OF:

Application of Chevron U.S.A., Inc., for a Non-
Standard Gas Proration Unit, Unorthodox Gas Well
Locations, and Simultaneous Dedication, Lea
County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 30, 1990

ORIGINAL

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

FOR THE APPLICANT:

CAMPBELL & BLACK, P.A.
 Attorneys at Law
 By: WILLIAM F. CARR
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208

FOR DOYLE HARTMAN:

GALLEGOS LAW FIRM
 Attorneys at Law
 By: J.E. GALLEGOS
 and
 HARRY NUTTER
 141 East Palace Avenue
 Santa Fe, New Mexico 87501

* * *

I N D E X

	Page Number
Appearances	2
Certificate of Reporter	8

* * *

1 WHEREUPON, the following proceedings were had
2 at 10:05 a.m.:

3 EXAMINER CATANACH: At this time we'll call
4 Case 9949.

5 MR. STOVALL: Application of Chevron U.S.A.,
6 Inc., for a nonstandard gas proration unit, unorthodox
7 gas well locations and simultaneous dedication, Lea
8 County, New Mexico.

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

11 MR. CARR: May it please the Examiner, my
12 name is William F. Carr with the law firm Campbell and
13 Black, P.A., of Santa Fe.

14 We represent Chevron U.S.A., Inc.

15 MR. NUTTER: I'm Harry Nutter with the
16 Gallegos Law Firm. We represent Doyle Hartman.

17 MR. CARR: May it please the Examiner, there
18 is an error in the legal advertisement in Case 9949.

19 The well is advertised as being 3200 feet
20 from the north line.

21 This is consistent with all well files since
22 1954, but on review it is an irregular section and the
23 well location, we believe, should be 4520 feet from the
24 north line.

25 We'll confirm that later.

1 In any event, the case is going to have to be
2 readvertised to correct that.

3 We provided notice of the hearing on May the
4 8th. At that time we notified Koch Industries of this
5 Application.

6 On the 17th of May, I believe, there was a
7 quitclaim to Mr. Hartman who now owns certain acreage
8 offsetting immediately the proposed nonstandard
9 proration unit.

10 Mr. Hartman requested that we limit,
11 originally, one well to 160-acre allowable, which we
12 are agreeable to do.

13 On further discussion between Mr. Hartman and
14 his counsel, it appears that there are some other plans
15 pending for the overall area.

16 Since the matter has to be reheard again in
17 four weeks, we have agreed to continue this Application
18 so that all matters concerning the area can be heard at
19 the same time.

20 I believe that is where we stand.

21 Mr. Gallegos and Mr. Nutter are here for Mr.
22 Hartman.

23 MR. GALLEGOS: Good morning, Mr. Examiner,
24 Mr. Stovall.

25 That's correct. Mr. Hartman, for some reason

1 that we can't explain, did not receive notice until
2 yesterday afternoon.

3 Koch Industries evidently, perhaps, had the
4 notice. No telling when they received it.

5 But at least they did not deem it appropriate
6 to deliver it to the Hartman office till yesterday
7 afternoon.

8 So needless to say, we have not had any time
9 to really consider or prepare for this matter.

10 MR. STOVALL: Mr. Gallegos, is it correct
11 that as of May 8th when notice was given, that Koch
12 Industries owned it?

13 MR. GALLEGOS: I know so little, because the
14 notice has been so short, I can't answer that question,
15 Mr. Stovall.

16 I know that Mr. Hartman has been negotiating
17 with Koch Industries on the acquisition of this acreage
18 for a much longer period of time than that.

19 So as far as conveyance, exact dates of
20 conveyance, that may be one thing. But that deal has
21 been in the works for months.

22 MR. CARR: I can say this: We received a
23 letter from Koch yesterday that I think is the same
24 letter that went to Mr. Hartman, and it was received
25 yesterday, and it indicated that the quitclaim was on

1 the 17th, but we were unaware of any change in the
2 ownership until yesterday also.

3 MR. STOVALL: Well, I think that -- I mean,
4 if notice was mailed to the record owner as of the 8th,
5 that notice is adequate, so that's not a problem.

6 MR. CARR: But the fact is, it's going to
7 have to be readvertised anyway, so there's no point in
8 having an additional hearing, and for that reason we've
9 agreed to continue the case for four weeks.

10 We'll send new notice at this time to Mr.
11 Hartman, and we will correct the well location.

12 Other than that, I think the legal
13 advertisement is correct.

14 EXAMINER CATANACH: Okay, we'll continue this
15 case to the 27th, I believe it is.

16 MR. STOVALL: Mr. Gallegos, you have now
17 entered your appearance in this case. That should
18 constitute any satisfaction of any notice requirement
19 at this time, considering the continuance; is that
20 correct?

21 MR. GALLEGOS: Well, considering the
22 continuance.

23 This wasn't an appearance for hearing today.
24 It would have been a special appearance.

25 But that seems to be moot now, so yes,

1 certainly.

2 And the notice, the rennotice, can come to us.

3 We'll accept service of it or whatever.

4 EXAMINER CATANACH: Okay, Case 9949 will be
5 continued to June 27th, 1990.

6 (Thereupon, these proceedings were concluded
7 at 10:10 a.m.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

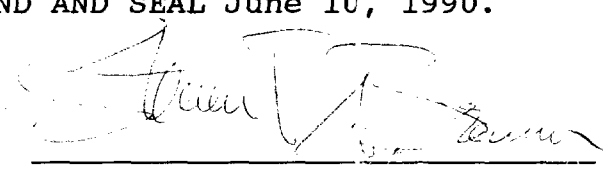
CERTIFICATE OF REPORTER

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 June 10, 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. 8848, heard by me on May 30 1990.


David R. Catant, Examiner
Oil Conservation Division

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9949

EXAMINER HEARING

IN THE MATTER OF:

Application of Chevron U.S.A., Inc., for a Non-
Standard Gas Proration Unit, Unorthodox Gas Well
Locations, and Simultaneous Dedication, Lea
County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

June 28, 1990

ORIGINAL

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Natural Gas Programs
P.O. Box 2088
Room 206, State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL & BLACK, P.A.
Attorneys at Law
By: WILLIAM F. CARR
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

FOR DOYLE HARTMAN:

GALLEGOS LAW FIRM
By: J.E. GALLEGOS
Attorney at Law
141 East Palace Avenue
Santa Fe, New Mexico 87501

* * *

I N D E X

Page Number

Appearances

2

Exhibits

3

RICHARD H. JONES

Direct Examination by Mr. Carr

5

Cross-Examination by Mr. Gallegos

14

Redirect Examination by Mr. Carr

18

Examination by Examiner Catanach

19

Certificate of Reporter

21

* * *

E X H I B I T S

APPLICANT'S EXHIBITS:

Exhibit 1

6

Exhibit 1-A

7

Exhibit 1-B

9

Exhibit 2

9

Exhibit 3

10

Exhibit 4

13

* * *

1 WHEREUPON, the following proceedings were had
2 at 10:30 a.m.:

3

4

5

6 EXAMINER CATANACH: At this time we'll call
7 Case 9949.

8 MR. CARROLL: Application of Chevron U.S.A.,
9 Inc., for a nonstandard gas proration unit, unorthodox
10 gas well locations, and simultaneous dedication, Lea
11 County, New Mexico.

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

14 MR. CARR: May it please the Examiner, my
15 name is William F. Carr with the law firm Campbell and
16 Black, P.A., of Santa Fe.

17 I represent Chevron U.S.A., Inc., and I have
18 one witness.

19 MR. GALLEGOS: Mr. Examiner, I'm J.E.
20 Gallegos, Santa Fe, New Mexico.

21 I represent Doyle Hartman. I do not expect
22 that we will call a witness.

23 EXAMINER CATANACH: All right. Will the
24 witness please stand and be sworn in at this time?

25 (Thereupon, the witness was sworn.)

1 RICHARD H. JONES,
2 the witness herein, after having been first duly sworn
3 upon his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. CARR:

6 Q. Could you state your full name for the
7 record?

8 A. Richard H. Jones.

9 Q. Mr. Jones, where do you reside?

10 A. Hobbs, New Mexico.

11 Q. By whom are you employed?

12 A. Chevron U.S.A., Incorporated.

13 Q. And what position do you hold with Chevron?

14 A. I'm a petroleum geologist.

15 Q. Have you previously testified before the New
16 Mexico Oil Conservation Division and had your
17 credentials as a geologist accepted and made a matter
18 of record?

19 A. I have.

20 Q. Are you familiar with the Application filed
21 in this case on behalf of Chevron?

22 A. I am.

23 Q. Are you familiar with the subject area and
24 the Eumont pool in this particular area?

25 A. I am.

1 MR. CARR: Are the witness's qualifications
2 acceptable?

3 EXAMINER CATANACH: They are.

4 Q. (By Mr. Carr.) Would you briefly state what
5 Chevron seeks with this Application?

6 A. Chevron seeks approval of a nonstandard 400-
7 acre proration unit which includes lots 11 through 14
8 in Section 5; lots 15, 16 and the southeast quarter of
9 Section 6 in Township 21 South, Range 36 East in the
10 Eumont gas pool.

11 Also, we seek approval of simultaneous
12 dedication of three wells to that 400-acre proration
13 unit and an unorthodox location for a 400-acre
14 proration unit.

15 Q. And you're seeking authority to
16 simultaneously dedicate all wells?

17 A. All wells.

18 Q. How do you recommend the production be
19 allocated between the wells on this unit?

20 A. Allowable -- The allowable to be produced by
21 any well on the proration unit.

22 Q. Let's go to what has been marked as Chevron
23 Exhibit Number 1. I'd ask you to identify that exhibit
24 and review it for Mr. Catanach.

25 A. This is a copy of the lease map, and the

1 structure is on top of the Queen formation.

2 The highlighted acreage is the proposed 400-
3 acre unit. The two red circles are the existing
4 producing Eumont gas wells. The red dot is the
5 proposed Eumont well, the Graham State "E" 3. And the
6 other black circles are wells producing from the Eumont
7 pool currently.

8 This just shows the structural position of
9 our proposed wells and current wells in relationship to
10 all the other Eumont-pool wells around it.

11 Q. Mr. Jones, let's look first at the acreage in
12 Section 5. What is the current development pattern of
13 the subject acreage in Section 5?

14 A. It's currently a 160-acre proration unit.

15 Q. And to what well is that unit dedicated?

16 A. The Orcutt "A" Number 1.

17 Q. And what is the location of that well?

18 A. The location is 4600 feet from the north line
19 and 1983 from the west line.

20 Q. If you'd refer to Exhibit Number 1-A, could
21 you identify that, please?

22 A. This is a well-location and acreage-
23 dedication plat that we received after our initial
24 hearing was -- had to be readvertised. We went out and
25 remeasured the footage for this well.

1 Q. And so this is the actual location of the
2 existing well?

3 A. Yes, it is.

4 Q. Is that well on a 160 at a standard location?

5 A. Yes, it is.

6 Q. When the acreage is enlarged, it becomes
7 unorthodox?

8 A. It becomes unorthodox.

9 Q. All right. Let's look at the 240-acre tract
10 in Section 6. What's the current status of that
11 acreage?

12 A. It's a producing 240-acre proration unit.

13 Q. And to what well is it dedicated?

14 A. The Graham State "E" Number 2.

15 Q. And the location of that well?

16 A. The location is 1980 from the south and east
17 lines of Section 6.

18 Q. The new well is also spotted on Exhibit
19 Number 1?

20 A. Yes, sir, it is.

21 Q. And what is the footage location of that
22 well?

23 A. Footage location for that well will be 1175
24 from the south line and 1375 from the east line.

25 Q. Could you identify what has been marked as

1 Exhibit 1-B, please?

2 A. This is a well-location, acreage-dedication
3 plat for the Graham State "E" 3 proposal.

4 Q. Are each of the existing wells on the
5 proposed proration unit capable of only marginal
6 production?

7 A. Yes, they are.

8 Q. And from what portion of the Eumont are they
9 actually producing?

10 A. They produce from the Queen or Penrose
11 interval.

12 Q. What is the percentage of the working
13 interest in this proposed unit owned by Chevron?

14 A. 100 percent.

15 Q. Could you go now to Exhibit Number 2,
16 identify that exhibit and review it for the Examiner?

17 A. What I've produced here is a cross-section
18 across our lease, going from a westerly direction of A
19 prime to an easterly direction of -- I mean A to A
20 prime, in an easterly direction.

21 It encompasses four wells: Arco's State "K"
22 Number 3 that was drilled in 1988; our Number 2 Well,
23 the Graham State "E" 2.

24 I used the EMSU well on the same location,
25 the 247 because of the newer quality of the log for

1 that well. They're just about 150 feet apart.

2 The EMSU 643, which will be an offsetting
3 location to our proposal. This shows the relationship
4 and development of the pay in the Eumont pool.

5 And the EMSU 225, which is the offset, as
6 previously discussed in earlier testimony. This well's
7 about 80 feet from that well. So I used a new-quality
8 log to show pay development.

9 What I'm trying to show, the cross-section is
10 the relative nature of pay distribution across this
11 area.

12 The yellow is indicated -- indicates pay we
13 believe is available in the Eumont pool.

14 The red bars indicate existing perforations
15 in the well, with the exception of the "K" Number 3. A
16 bridge plug has been set in this well to plug off the
17 Penrose. It is now open in the Yates formation only.

18 Q. Will you now identify what has been marked as
19 Chevron Exhibit Number 3?

20 A. This is an acreage dedication plat of the
21 surrounding proration units around our proposed 400-
22 acre unit, indicating the unorthodox nature of some of
23 the wells in the proration units, simultaneous
24 dedication, and the nonstandard proration units around
25 us.

1 Q. Now, in drilling the new well on this
2 proration unit, what is going to be your primary
3 objective?

4 A. The Yates formation.

5 Q. How many of the wells that offset this
6 proposed location are completed in the Yates?

7 A. There are approximately four direct offsets
8 producing from the Yates.

9 Q. Can you identify those?

10 A. They -- Arco's State "K" Number 3, Amerada's
11 Houston Number 3 to the south of the location, Meridian
12 Shell -- I believe that's the Number 2 to the northwest
13 of our location in Section 6, and then the Meridian Oil
14 Number 2 and the Shell State in the -- directly north
15 of our proposed location.

16 Q. Are either of the wells on the current
17 proration units involved that are going to be
18 consolidated producing from the Yates formation?

19 A. They are not.

20 Q. Is it your proposal that the new well share
21 one allowable with the two existing wells completed in
22 the Penrose?

23 A. Yes.

24 Q. Without combining these tracts, will you have
25 sufficient allowable to justify the drilling of the new

1 well?

2 A. No, sir, we would not.

3 Q. Are either of the existing wells on the unit
4 good workover candidates for recompletion into the
5 Yates?

6 A. No, sir, they are not.

7 Q. What is the nature of the lands that are
8 involved in the new proration unit?

9 A. They're state lands.

10 Q. Has this proposal been reviewed with the
11 State Land Office?

12 A. Yes, sir, they have.

13 Q. Have you received any response from them?

14 A. They have no objection.

15 Q. In your opinion, will granting this
16 Application be in the best interest of conservation,
17 the prevention of waste and the protection of
18 correlative rights?

19 A. Yes, sir, it will.

20 Q. Will it provide for the additional recovery
21 of reserves from the Eumont pool?

22 A. Yes, sir.

23 Q. Were exhibits 1 through -- 1, 1-A, 1-B, 2 and
24 3 either prepared by you or compiled under your
25 direction?

1 A. Yes, sir, they were.

2 MR. CARR: At this time, Mr. Examiner, we
3 would move the admission of Chevron Exhibits 1, 1-A,
4 1-B, 2 and 3.

5 EXAMINER CATANACH: Chevron's Exhibits 1,
6 1-A --

7 MR. CARR: -- 1-B --

8 EXAMINER CATANACH: -- 1-B --

9 MR. CARR: -- 2 and 3.

10 EXAMINER CATANACH: -- 2 and 3 will be
11 admitted as evidence in this case.

12 MR. CARR: I would also move the admission of
13 what we have marked as Exhibit Number 4, which is an
14 affidavit from me confirming that we have complied with
15 Rule 1207 in providing notice of today's hearing. Also
16 attached are letters providing notice of the hearing
17 and return receipts showing that the letters were
18 delivered.

19 EXAMINER CATANACH: Exhibit 4 will be
20 admitted as evidence in this case.

21 MR. CARR: I have nothing further of Mr.
22 Jones on direct.

23 (Off the record)

24 MR. GALLEGOS: I have a few questions,
25 please, Mr. Jones.

CROSS-EXAMINATION

BY MR. GALLEGOS:

Q. On the Orcutt "A" Number 1, which is in Section 5, that well, according to Exhibit 3, is producing at the rate of 41 MCF a day?

A. Yes, sir, that's correct.

Q. When was that well drilled?

A. I believe that well was drilled in March of 1954.

Q. All right. And then the existing well -- Do I have that right? That's the Graham State Number 2?

A. "B" 2, yes, sir.

Q. "B" 2. Okay. That was drilled when?

A. In October of 1936.

Q. And it is a marginal well?

A. Yes, sir, it is.

Q. Producing 261 MCF per day?

A. My latest figure for that well is 288.

Q. Okay. Am I correct that where you're locating the new well -- I think you're characterizing it as the Number 3?

A. Yes, sir.

Q. Is it the minimum distance that that could be located from the existing well?

A. Yes, sir, I believe it is. I would have to

1 check that footage again.

2 Q. Okay. What guided your choosing that
3 location?

4 A. The development of the Yates formation and
5 the offset drainage by other operators and the Yates
6 formation itself.

7 Q. And what offset drainage do you refer to?

8 A. In particular, the Arco State "K" Number 3,
9 the well just to the west.

10 Q. Just to the west in Section 6?

11 A. In Section 6. It would be in the south -- It
12 would be the southwest quarter of the map in Section 6.

13 Q. So your location is not influenced by offset
14 drainage in Section 5 -- in any place in Section 5 for
15 this unit?

16 A. I have not done any drainage calculations.
17 This is in response to offset drainage from -- possible
18 offset drainage from offset operators in Section 6.

19 Q. But you have done that as far as Section --
20 to the west in Section 6 is concerned?

21 A. I have not done any drainage calculations.

22 Q. Okay. Did I misunderstand you to say that
23 the location of the proposed infill well is based on --
24 or is influenced by the offset drainage?

25 A. By those completions, yes, sir, it is.

1 Q. Okay. Why is it that Chevron is not
2 proposing a new well to be located in the portion of
3 the proration unit that's located in Section 5, up
4 where you have this well producing only 41 MCF?

5 A. The well is not located up there because of
6 the direct Yates production offsetting to the lease in
7 Section 6.

8 Q. I'm sorry, I don't understand.

9 A. We're trying, with our location, to recover
10 reserves from the Yates that are being tapped by other
11 offset operators in Section 6, not in Section 5.

12 Q. So what you're basically doing is trying to
13 protect yourself from that offset production?

14 A. Yes.

15 Q. All right. And if you accomplish that with
16 the new well, then wouldn't you be likely to accomplish
17 the same thing by drilling a second new well on the 160
18 acres in Section 5?

19 A. From the Yates?

20 Q. The Yates or any Eumont formations.

21 A. If there's sufficient allowable left to drill
22 a well.

23 Q. And that is the problem, isn't it?

24 A. Yes, sir, it is.

25 Q. To drill a new well in Section 5 on that 160

1 acres would not be economically feasible, given the
2 allowables; isn't that true?

3 A. We have not run the economics for a well in
4 Section 5, but I would have to assume, based on my
5 knowledge of the well in Section 6, it would not be.

6 Q. Okay. And I believe your earlier testimony
7 was that without combining all of these tracts to form
8 this 400-acre unit, you would not have sufficient
9 allowable for the drilling of a new well?

10 A. That is correct.

11 Q. What was your assumption about allowable
12 levels when you came to that conclusion?

13 A. We run the minimum case of last year's
14 average allowable. 290 is what we used.

15 Q. 290, okay. It would not be prudent, you
16 would agree, Mr. Jones, to try and run your economic
17 case based on 600 MCF a day of allowable, which might
18 be the present June, 1990, allowable?

19 A. If we felt confident that that allowable
20 would stand, we would drill a well, yes.

21 Q. I --

22 A. Maybe that's not what you asked me, but
23 that's the way I understood it.

24 Q. But I think what you're saying is you did not
25 feel confident --

1 A. That's correct.

2 Q. -- that that allowable would stand?

3 A. That's correct.

4 Q. And what you thought was prudent and
5 reasonable was to assume the allowable level of 1989?

6 A. Right, based on the fluctuations we've seen
7 in the market, yes, sir.

8 MR. GALLEGOS: Okay. That's all I have.

9 Thank you.

10 MR. CARR: There's one thing I forgot to do.

11 REDIRECT EXAMINATION

12 BY MR. CARR:

13 Q. Would you refer to Exhibit 1-A and explain to
14 the Examiner why this is an unorthodox location? I'm
15 sorry, 1-B.

16 A. 1-B. Right, it's too close to the quarter
17 quarter section.

18 Q. And you had to move it off of that, right?

19 A. I had to move it off of the quarter quarter
20 section.

21 Q. And that's the only reason for it being
22 unorthodox?

23 A. Right, that's correct.

24 MR. CARR: All right, I have nothing further.

25

EXAMINATION

BY EXAMINER CATANACH:

Q. Am I correct in understanding, Mr. Fields [sic], that the proposed well that you're going to drill is unorthodox only with respect to the interior quarter quarter section?

A. That is correct.

Q. It's not crowding any outer boundary?

A. No, sir, it isn't.

Q. Okay, and you said part of the reason that the well was located there was to produce the Yates -- or to encounter the Yates; is that correct?

A. With our drilling of the infill well in the EMSU, the Grayburg well, we encountered what we felt like was a very good Yates section.

And Arco's "K" Number 3, which is currently producing from that section, we are attempting to drill this well to encounter that same pay. And as close as we can get to that well, the safer we feel; we cut our risk down.

Q. And that well, again, was the --

A. EMSU 643.

EXAMINER CATANACH: 643, okay.

I believe that's all I have of the witness.

You may be excused.

1 Is there anything further in this case?

2 MR. CARR: I have nothing further.

3 MR. GALLEGOS: I have nothing further.

4 (Off the record)

5 EXAMINER CATANACH: Case 9949 will then be
6 taken under advisement.

7 And this hearing is adjourned.

8 (Thereupon, the proceedings were concluded at
9 10:45 a.m.)

10 * * *

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

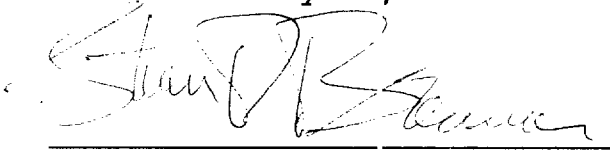
CERTIFICATE OF REPORTER

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.

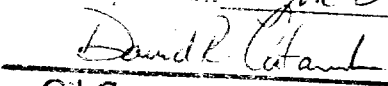
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 20, 1990.


 STEVEN T. BRENNER
 CSR No. 106

My commission expires: October 14, 1990

I do hereby certify that the foregoing is
 a correct and true record of the proceedings in
 the above case heard by me on June 27, 1990,
 Case No. 6949.


 , Examiner
 Oil Conservation Division

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

IN THE MATTER OF:)
THE HEARING CALLED BY THE)
OIL CONSERVATION COMMISSION)
TO CONSIDER:)

APPLICATION OF CHEVRON, U.S.A., INC.,)
FOR A NONSTANDARD GAS PRORATION UNIT,)
UNORTHODOX GAS WELL LOCATIONS, AND)
SIMULTANEOUS DEDICATION, LEA COUNTY,)
NEW MEXICO.)
-----)

CASE NO. 9949

APPLICATION OF DOYLE HARTMAN FOR)
COMPULSORY POOLING, A NONSTANDARD GAS)
PRORATION UNIT AND SIMULTANEOUS)
DEDICATION, LEA COUNTY, NEW MEXICO.)
-----)

CASE NO. 9994

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: WILLIAM J. LeMAY, Chairman
WILLIAM WEISS, Commissioner
GARY CARLSON, Commissioner

February 28, 1991
9:05 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Commission on February 28, 1991, at 9:05 a.m.
at Mabry Hall, Education Building, Santa Fe, New Mexico,
before Susan G. Ptacek, a Certified Court Reporter No. 124,
State of New Mexico.

FOR: OIL CONSERVATION BY: SUSAN G. PTACEK
DIVISION Certified Court Reporter
CCR No. 124

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

I N D E X

February 28, 1991
Commissioner Hearing
Case No. 9949

APPEARANCES

PAGE
2

REPORTER'S CERTIFICATE

7

* * *

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
 General Counsel
 Oil Conservation Division
 State Land Office Building
 Santa Fe, New Mexico 87504

FOR DOYLE HARTMAN: GALLEGOS LAW FIRM, P.C.
 Attorneys at Law
 BY: JOANNE REUTER, ESQ.
 141 East Palace Avenue
 Santa Fe, New Mexico 87501

FOR CHEVRON, U.S.A., CAMPBELL & BLACK, P.A.
INC.: Attorneys at Law
 BY: WILLIAM F. CARR, ESQ.
 110 N. Guadalupe
 Santa Fe, New Mexico 87501

* * *

1 COMMISSIONER LEMAY: We will begin. This the Oil
2 Conservation Commission. Hopefully we don't have any
3 stragglers over at the corporation commission hearing where
4 we usually hold our hearings, but if there are, I'm sure
5 they will join us.

6 I would like to welcome our commissioners, Bill
7 Weiss, Commissioner Bill Weiss, whom you have known before;
8 and also appearing Gary Carlson, who is the land
9 commissioner's representative. We are happy to have
10 Commissioner Gray Carlson with us today.

11 I think we shall begin by addressing two cases
12 which I understand may be dismissed. So let's call those
13 and see the status of those. Case No. 9949, second on the
14 docket.

15 MR. STOVALL: Application of Chevron, U.S.A., Inc.,
16 for a nonstandard gas proration unit, unorthodox gas
17 well locations and simultaneous dedication, Lea County, New
18 Mexico.

19 COMMISSIONER LEMAY: Are there appearances in that
20 case to indicate the status of it?

21 MS. REUTER: May it please the Commission, my name is
22 Joanne Reuter of the Gallegos Law Firm of Santa Fe, New
23 Mexico. I represent Doyle Hartman. This is an application
24 of Chevron, and Mr. Hartman appealed the examiner's order
25 to the commission. Since that time Chevron and Mr. Hartman

1 have settled their differences, and Mr. Hartman is
2 dismissing his request for a de novo hearing and
3 withdrawing his opposition to the application.

4 COMMISSIONER LEMAY: Thank you, Miss Reuter. Does
5 that fit with Chevron's understanding also?

6 MR. CARR: May it please the Commission, my name is
7 William F. Carr, with the Campbell law firm. That is
8 consistent with our understanding. I might at this time
9 advise you that the next case involves an application of
10 Mr. Hartman, and it is involved with this and is part of
11 this same matter.

12 If you would like to the call at this time, I'm
13 prepared to make a statement also dismissing our
14 application for de novo hearing.

15 COMMISSIONER LEMAY: Thank you, Mr. Carr. We will
16 call Case No. 9994 at this time.

17 MR. STOVALL: Application of Doyle Hartman for
18 compulsory pooling, a nonstandard gas proration unit and
19 simultaneous dedication, Lea County, New Mexico.

20 MR. CARR: May it please the Commission, Mr. Hartman
21 and Chevron entered an agreement whereby Mr. Hartman
22 acquired the interest of Chevron on the properties that
23 were affected. Part of the stipulation addressed the
24 examiner order that was entered in this case. The parties
25 have agreed that the pooling provisions in the order should

1 be deemed rescinded and the order itself provided that.
2 The stipulation also requests that the stipulation between
3 the parties be made part of the record in this case. It
4 provides, among other things, that the examiner order will
5 not be cited as precedent in subsequent matters. It has
6 been filed. I understand it is part of the record; and if
7 that is correct, we are prepared to request dismissal of
8 our de novo application.

9 COMMISSIONER LEMAY: Thank you, Mr. Carr. Without
10 objection Cases No. 9949 and Case No. 9994 will be
11 dismissed. At this time I might call just some
12 announcements here --

13 MS. REUTER: Mr. Chairman --

14 COMMISSIONER LEMAY: Pardon me?

15 MS. REUTER: I don't mean to interrupt you,
16 Mr. Chairman. Just for the record, I'm representing
17 Mr. Hartman in case 9994 again. I would just like the
18 record to be clear that the nonstandard proration unit for
19 an unorthodox location portion of the order, which the
20 examiner approved, remains in full force and effect.

21 MR. CARR: May it please the Commission, all we were
22 requesting is that our de novo application be dismissed,
23 and Miss Reuter is correct, those provisions of that order
24 should remain in full force and effect.

25 MS. REUTER: That's correct. I have also been advised

1 that the simultaneous dedication of the two wells located
2 on that unit, that portion of the order should also remain
3 in effect.

4 COMMISSIONER LEMAY: It was my understanding that the
5 order will remain in effect as it applies to those areas,
6 but the de novo application is being dismissed.

7 MS. REUTER: That's correct.

8 COMMISSIONER LEMAY: Without objection those two cases
9 will be dismissed.

10 (Whereupon, the hearing was concluded at the
11 approximate hour of 9:10 a.m.)

12 * * *

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

3 REPORTER'S CERTIFICATE
4

5 I, Susan G. Ptacek, a Certified Court Reporter and
6 Notary Public, do HEREBY CERTIFY that I stenographically
7 reported the proceedings before the Oil Conservation
8 Division, and that the foregoing is a true, complete and
9 accurate transcript of the proceedings of said hearing as
10 appears from my stenographic notes so taken and transcribed
11 under my personal supervision.

12 I FURTHER CERTIFY that I am not related to nor
13 employed by any of the parties hereto, and have no interest
14 in the outcome thereof.

15 DATED at Santa Fe, New Mexico, this 15th day of April,
16 1991.

17

18

19 My Commission Expires:
20 December 10, 1993

21

22

23

24

25



SUSAN G. PTACEK
Certified Court Reporter
Notary Public