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W. THOMAS KELLAHIN  
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JASON KELLAHIN  
OF COUNSEL

November 26, 1990

Mr. William LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87504

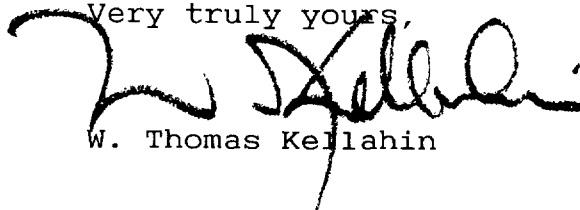
Re: Application of Lewis B. Burleson, Inc. *ECW 10/84*  
for Compulsory Pooling,  
SW/4NW/4 Section 22, T25S, R37E,  
Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Lewis B. Burleson, Inc. please find enclosed our Application for Compulsory Pooling which we would request be set for hearing on the next available Examiner's docket now scheduled for December 19, 1990.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. In addition, they are advised that the entry of a Compulsory Pooling Order will affect their rights to share in the production from the subject well.

Very truly yours,



W. Thomas Kellahin

KA/tic  
Enclosure

cc: Mr. Lewis B. Burleson  
Lewis B. Burleson, Inc.  
Post Office Box 2479  
Midland, Texas 79702

Mr. William J. LeMay  
November 26, 1990  
Page 2

Certified Mail Return-Receipt  
All parties listed in Exhibit A  
of the Application, w/encl.

KELLAHIN, KELLAHIN AND AUBREY

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TELEPHONE (505) 982-4285  
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December 20, 1990

RECEIVED

2015-1

OIL CONSERVATION DIVISION

Mr. Michael E. Stogner  
New Mexico Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87504

Re: Application of Lewis B. Burleson, Inc.  
for Compulsory Pooling NMOCD Case No. 10184

Dear Mr. Stogner:

In accordance with your request at the conclusion of the hearing of the referenced case, please find enclosed my Certificate of Mailing of notice of hearing to those parties which Mr. Burleson seeks to pool with this case.

Very truly yours,



W. Thomas Kellahin

WTK/ept  
Enclosure

## Survey Results — 1989

### Region: West Texas and Eastern New Mexico-5

Ernst &amp; Young

#### Oil Wells

Responses 1989 1988	Depth in Feet		Monthly Drilling Well Rates			Monthly Producing Well Rates		
			1989	1988	Average	1989	1988	Average
	Over	But Not Over	Average or Mean	Median	Average or Mean	Average or Mean	Median	Average or Mean
147	0-	5,000	\$ 3,487	\$ 3,000	\$ 3,069	\$ 3,355	\$ 3,000	\$ 3,185
115	5,000-	10,000	4,541	4,000	4,066	438	400	407
42	10,000-	15,000	6,082	5,000	4,939	581	500	520
10	15,000-	20,000	6,042	6,000	5,594	649	620	634
10	20,000		5,679	5,737	5,554	619	620	673
32	No Depth Limit		5,396	5,490	4,961	541	570	561

#### Gas Wells

Responses 1989 1988	Depth in Feet		Monthly Drilling Well Rates			Monthly Producing Well Rates		
			1989	1988	Average	1989	1988	Average
	Over	But Not Over	Average or Mean	Median	Average or Mean	Average or Mean	Median	Average or Mean
115	0-	5,000	\$ 3,265	\$ 3,042	\$ 3,202	\$ 3,185	\$ 3,000	\$ 3,255
86	5,000-	10,000	4,914	4,000	4,109	469	400	419
38	10,000-	15,000	6,134	5,000	4,940	566	450	524
11	15,000-	20,000	6,049	6,000	5,434	642	620	633
10	20,000		5,674	5,688	5,506	620	620	676
32	No Depth Limit		5,320	5,490	5,035	535	562	567

## OIL CONSERVATION DIVISION

January 9, 1991

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 10184  
ORDER NO. R-9403

Applicant:

Lewis B. Burleson

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Florence Davidson

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other \_\_\_\_\_

## STATE OF NEW MEXICO

## ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

## OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING )  
CALLED BY THE OIL CONSERVATION )  
DIVISION FOR THE PURPOSE OF )  
CONSIDERING: )  
 ) CASE NO. 10184  
APPLICATION OF LEWIS B. BURLESON, )  
INC., FOR COMPULSORY POOLING, LEA )  
COUNTY, NEW MEXICO. )  
----- )

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 19, 1990

9:18 a.m.

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on December 19, 1990, at 9:18 a.m. at the Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Maureen R. Hunnicutt, RPR, Certified Shorthand Reporter No. 166, for the State of New Mexico.

FOR: OIL CONSERVATION  
DIVISIONBY: MAUREEN R. HUNNICUTT, RPR  
Certified Shorthand Reporter  
CSR No. 166

## I N D E X

December 19, 1990  
 Examiner Hearing  
 CASE NO. 10184

PAGE  
 3

## APPEARANCES

## APPLICANT BURLESON WITNESS:

LEWIS B. BURLESON

Direct Examination by Mr. Kellahin  
 Examination by Examiner Stogner

4  
 13

## REPORTER'S CERTIFICATE

15

\* \* \*

## E X H I B I T S

ID ADMTD

## APPLICANT BURLESON EXHIBIT

1	Cumulative Production Map, Airport #1	5	13
2	Interest Owners Mailing List	7	13
3	Letter, November 27, 1990, to Frances Andahl from Jack Huff	7	13
4	Authority for Expenditure	8	13
5	Contour Map, Top of the Queen Formation Airport #1	10	13
6	Certificate of Mailing of Notification of Hearing	12	

## A P P E A R A N C E S

FOR THE DIVISION:        ROBERT G. STOVALL, ESQ.  
                             General Counsel  
                             Oil Conservation Commission  
                             State Land Office Building  
                             310 Old Santa Fe Trail  
                             Santa Fe, New Mexico 87501

FOR THE APPLICANT:       KELLAHIN, KELLAHIN & AUBREY  
                             Attorneys at Law  
                             BY: W. THOMAS KELLAHIN, ESQ.  
                             117 North Guadalupe  
                             Santa Fe, New Mexico 87501

\*   \*   \*



1 EXAMINER STOGNER: Moving right along, we'll call  
2 Case No. 10184.

3 MR. STOVALL: Let me find it. Application of Lewis  
4 B. Burleson, Inc., for compulsory pooling, Lea County,  
5 New Mexico.

6 EXAMINER STOGNER: Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the  
8 Santa Fe law firm of Kellahin, Kellahin & Aubrey,  
9 appearing on behalf of the applicant; and I have one  
10 witness to be sworn.

11 EXAMINER STOGNER: Are there any other appearances?

12 (No response.)

13 EXAMINER STOGNER: Will the witness please stand to  
14 be sworn?

15 LEWIS B. BURLESON,  
16 the Witness herein, having been first duly sworn, was  
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q. Mr. Burleson, for the record would you please  
21 state your name and occupation?

22 A. Lewis Burleson, operator, oil operator,  
23 Midland, Texas.

24 Q. In addition to being an oil and gas operator,  
25 Mr. Burleson, you also hold a degree in petroleum geology,

1 do you not, sir?

2 A. That is correct.

3 Q. On prior occasions, you've testified both as an  
4 operator and as a geologist before the New Mexico Oil  
5 Conservation Division?

6 A. That is correct.

7 Q. Pursuant to your employment of Lewis Burleson,  
8 Inc., president of Lewis Burleson, Inc., have you  
9 recommended and proposed to the various working interest  
10 owners in this subject spacing unit the drilling of a  
11 well?

12 A. Yeah, I have.

13 MR. KELLAHIN: We tender at this time, Mr. Examiner,  
14 Mr. Burleson as an expert witness.

15 EXAMINER STOGNER: Mr. Burleson is so qualified.

16 Q. (By Mr. Kellahin) Mr. Burleson, let's have you  
17 take Exhibit No. 1, and take a moment and orient the  
18 Examiner as to where your spacing unit is and the type of  
19 production you're seeking to pool with this case.

20 A. This is a plat of the area. It would be  
21 Section 22, 25 South, 37 East, Lea County, New Mexico; and  
22 we propose to pool one 40-acre tract, being the southwest  
23 quarter of the northeast quarter, and drill a well, being  
24 called the "Airport #1," which will be 330 from the west  
25 line and 330 from the north line of the 40-acre tract, to

1 test the Queen sand in Langlie-Mattix field at approximate  
2 depth of 3,500 feet.

3 Q. The Queen sand is the primary producing  
4 interval in this area?

5 A. That is correct.

6 Q. Do you anticipate any other secondary  
7 potentials for the wells to be drilled at this location?

8 A. No. The Yates sand is gas productive, but this  
9 40-acres is dedicated to a Jalmat gas unit; and these  
10 small owners that we are trying to pull in have been force  
11 pooled in a previous hearing in Yates sand.

12 Q. If the Examiner, then, gives you the  
13 flexibility of operations by force pooling the working  
14 interest owners for the oil rights from the surface  
15 through the base of the Langlie-Mattix pool, will that be  
16 sufficient flexibility to accomplish your objectives?

17 A. Yes, it will.

18 Q. Let's look at the ownership within that 40-acre  
19 tract now. Approximately what percentage of the working  
20 interest do you currently control or have committed to  
21 you?

22 A. We have approximately 99.8 percent or 99.9, and  
23 6/10 of 1 percent has never been leased because these  
24 people are lost, gone, or have never answered three or  
25 four communications to either lease or join in the

1 drilling of a well. So we have a very, very small  
2 interest owners of people who have not communicated with  
3 us or who don't care or are lost.

4 Q. When we look at this 40-acre tract, are we  
5 dealing with multiple owners that have an undivided  
6 percentage within that 40 acres?

7 A. That is true. They own a percent of the 40.  
8 They also are in the northwest quarter of that section.

9 Q. But as we get down to the specific spacing  
10 unit, these people --

11 A. Own an undivided interest in the 40-acre tract.

12 Q. All right. Let me ask you to turn to  
13 Exhibit No. 2. To the best of your knowledge, information  
14 and belief, Mr. Burleson, does this tabulation represent  
15 your best effort to compile an accurate list of the  
16 identity of the individuals, their last known address and  
17 their approximate interest in the production of the well  
18 as a working interest owner?

19 A. That is true. There are 70 unleased mineral  
20 owners interest in this tract at the present time. We  
21 have had since our last try at leasing these people in  
22 November, we have had ten people who have leased their  
23 interest this go-around. So our list now has shrunk to 60  
24 unleased mineral owners.

25 Q. Let me direct your attention to Exhibit No. 3,

1 Mr. Burleson. Identify and describe what Exhibit No. 3  
2 is.

3 A. Exhibit No. 3 is a letter from Jack Huff, my  
4 partner in this venture, in where he asked the people to  
5 either lease for \$300 an acre, 3-16ths royalty or to join  
6 in the drilling of this well called the "Airport #1."  
7 This letter was sent out to the people in Exhibit No. 2 in  
8 November of this year.

9 Q. All right. Rather than bring 60 copies of the  
10 same letter, this is the same letter that went out to all  
11 those 60 people or 60-plus people?

12 A. That is true.

13 Q. Turn to Exhibit No. 4. Identify and describe  
14 that for us.

15 A. Exhibit No. 4 is our AFE for this well, which  
16 shows for a producer \$166,000 and for a dry hole \$95,700.

17 Q. Based upon your experience as an operator in  
18 this area, Mr. Burleson, in your opinion are these  
19 estimated well costs fair and reasonable?

20 A. Yes, they are.

21 Q. Do they form a reliable basis upon which the  
22 Examiner may utilize this AFE to assess costs against  
23 parties under the pooling order?

24 A. That is true.

25 Q. What do you recommend to the Examiner for some

1 overhead rates to be changed against the working interest  
2 portion of the parties to be pooled?

3 A. I've prepared an operating agreement, if they  
4 wish to have one, and we use a value of \$2,000 drilling  
5 well overhead for the month; and for the operating  
6 overhead, if we get a producing well, \$380 a month.

7 Q. Okay. How does that compare, Mr. Burleson, to  
8 the tabulation overhead rates that were prepared by  
9 Ernst & Young based upon their 1989 survey?

10 A. Our drilling head rates are considerably below  
11 their average, which was \$3,487, ours being 2,000. Their  
12 mean operating rates were \$335, and we're \$380, so we're  
13 \$45 higher.

14 Q. But you're significantly lower than the average  
15 when it comes to the drilling well rate?

16 A. That is true.

17 Q. And based upon your studies and understanding  
18 of the oil wells producing from the Queen in this  
19 immediate area, are your rates in your opinion fair and  
20 reasonable?

21 A. Yes, they are.

22 Q. And do you recommend the Examiner adopt your  
23 proposed rates?

24 A. I do.

25 Q. Let's turn to the topic of the risk factor,

1 penalty component of the pooling order, and have you take  
2 a moment and identify and describe Exhibit No. 5.

3 A. Exhibit No. 5 is a map contoured on top of the  
4 Queen sand which shows a saddle area on this Queen margin  
5 with oil wells being to the northwest, which is a good  
6 producer. It would be my ARCO Lanehart No. 1. The ARCO  
7 Lanehart No. 2-Y, which is a marginal producer, having  
8 only produced 9,000 barrels of oil in 15 years --

9 Q. Let's take a moment and make sure we're with  
10 you. If I look at the 40-acre spacing unit, you're  
11 attempting to straddle this structure?

12 A. Well, there's a saddle in here. There's a low  
13 coming in, and then the dip goes off to the west, and then  
14 it goes off to the east, so we have a flat area in here  
15 which may be the reason that the Queen margin here is  
16 better, cleaner and has a chance to be better, better oil  
17 than to the east and to the west.

18 Q. Okay. Let's look at the base of the saddle,  
19 then, where your 40-acre tract is.

20 A. Correct.

21 Q. And as we move to the east, moving up structure  
22 out of the saddle, where is the nearest Queen oil  
23 producer?

24 A. As you go off to the east, the Queen sands thin  
25 and get higher, and we're in the gas zone, or we're in the

1 gas cap.

2 Q. So you don't have an oil producer offsetting  
3 you on the east?

4 A. No, we don't; or to the south.

5 Q. Okay. How about to the west?

6 A. And to the west, we do have an oil producer,  
7 our No. 2-Y, which has produced 9,000 barrels of oil, and  
8 our No. 1, which has produced 62,000 barrels of oil.

9 Q. The two Ys at a -279?

10 A. That is correct.

11 Q. You've --

12 A. On top of the point --

13 Q. -- received 9,000 barrels of oil for that well?

14 A. Correct.

15 Q. When we go north to the No. 1 at -268, what's  
16 your cumulative oil production on that well?

17 A. 62,000 barrels of oil.

18 Q. How do you assess the commercial success of  
19 those wells in relation to your proposed location?

20 A. Well, one was an economic success; the other  
21 was not; so we would like to see a 200 percent penalty  
22 assessed to the people who do not lease or join in this  
23 40-acre-tract venture.

24 Q. Were Exhibits 1 through 5 either prepared by  
25 you directly or compiled under your direction and



1 supervision, Mr. Burleson?

2 A. Yes, they were.

3 MR. KELLAHIN: Mr. Examiner, I have, and I will mark  
4 as Exhibit No. 6, the certificate of mailing for hearing.  
5 I have not yet had time this morning to make additional  
6 copies of that; but if I may do so following the hearing,  
7 I will submit the copies to show that we have sent these  
8 to all the possible people for notification of hearing.

9 (Burleson Exhibit 6 was

10 marked for identification.)

11 EXAMINER STOGNER: How many do you have there? Is  
12 that the 60 in which Mr. Burleson --

13 THE WITNESS: No, these are all the 70.

14 EXAMINER STOGNER: The 70.

15 THE WITNESS: Yes.

16 MR. KELLAHIN: This may be as many as 70, and I'd  
17 have to count them to see; but this was --

18 EXAMINER STOGNER: The --

19 MR. KELLAHIN: -- based upon --

20 EXAMINER STOGNER: I'm sorry. Go ahead.

21 MR. KELLAHIN: It should be based upon the list you  
22 have as Exhibit No. 2.

23 EXAMINER STOGNER: Okay.

24 MR. KELLAHIN: With that reservation, Mr. Examiner,  
25 we would move the introduction of Mr. Burleson's

1 Exhibits 1 through 5.

2 EXAMINER STOGNER: Exhibits 1 through 5 will be  
3 admitted into evidence.

4 (Applicant Burleson Exhibits 1 through 5  
5 were admitted into evidence.)

6 I have only one question, Mr. Burleson.

7 EXAMINATION

8 BY EXAMINER STOGNER:

9 Q. Mr. Burleson, in looking at Exhibit 2, Lewis  
10 Burleson's name shows up, next-to-the-last, "Address  
11 Unknown."

12 A. Well, that was -- He prepared that. The one I  
13 brought does have my name on it, but it wasn't leased.

14 MR. KELLAHIN: He's a tough negotiator.

15 A. But I am a mineral owner under that tract.

16 Q. (By Examiner Stogner) Okay.

17 A. And by the way, you missed Jack. Jack Huff's  
18 name is on there too.

19 EXAMINER STOGNER: Okay. Are there any other  
20 questions of this witness?

21 (No response.)

22 MR. KELLAHIN: We tried to be very diligent with our  
23 notices.

24 MR. STOVALL: We're looking for the green card for  
25 Mr. Burleson.

1 EXAMINER STOGNER: If there are no other questions of  
2 this witness, he may be excused.

3 Does anybody have anything else further in  
4 Case No. 10184?

5 (No response.)

6 EXAMINER STOGNER: If not, this case will be taken  
7 under advisement.

8 Let's take a 15-minute recess.

9 (The foregoing hearing was concluded at the  
10 approximate hour of 9:30 a.m.)

11 \* \* \*

12  
13  
14  
15  
16 I do hereby certify that the foregoing is  
17 a complete record of the proceedings in  
the Examiner hearing of Case No. 10184,  
18 heard by me on 19 December 1990.

19 Michael E. Stogner, Examiner  
Oil Conservation Division

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

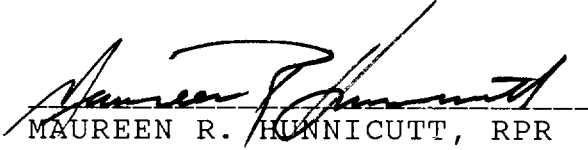
5 REPORTER'S CERTIFICATE

6 I, MAUREEN R. HUNNICUTT, RPR, a Certified Shorthand  
7 Reporter and Notary Public, DO HEREBY CERTIFY that I  
8 stenographically reported these proceedings before the Oil  
9 Conservation Division; and that the foregoing is a true,  
10 complete and accurate transcript of the proceedings of  
11 said hearing as appears from my stenographic notes so  
12 taken and transcribed under my personal supervision.

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

16 DATED at Santa Fe, New Mexico, this 19th day of  
17 January, 1991.

18  
19  
20  
21 My Commission Expires:  
22 April 25, 1993

  
MAUREEN R. HUNNICUTT, RPR  
Certified Shorthand Reporter  
CSR No. 166, Notary Public