

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

20 January 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Hixon Development                   CASE  
Company for a non-standard oil pro-               9295  
ration unit, Rio Arriba County,  
New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

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MR. CATANACH: Call next Case Number 9295, application of Hixon Development Company for a nonstandard oil proration unit, Rio Arriba County, New Mexico.

Applicant has requested that this case be continued to the Examiner Hearing scheduled for February 3, 1988.

Case Number 9295 will be so continued.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY  
CERTIFY that the foregoing Transcript of Hearing before the  
Oil Conservation Division (Commission) was reported by me;  
that the said transcript is a full, true, and correct record  
of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I certify that the foregoing transcript is a true and correct record of the hearing held before me on Jan 20 1988  
David R. Catanach, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6  
7 3 February 1988

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Hixon Development                   CASE  
11 Company for a non-standard oil pro-               9295  
12 ration unit, Rio Arriba County,  
13 New Mexico.

14 BEFORE: Michael E. Stogner, Examiner

15  
16 TRANSCRIPT OF HEARING

17  
18  
19 A P P E A R A N C E S

20  
21 For the Applicant: Tommy Roberts  
22 Attorney at Law  
P. O. Box 129  
Farmington, New Mexico 87499

23 For Sun E & P Co.: W. Thomas Kellahin  
24 Attorney at Law  
KELLAHIN, KELLAHIN & AUBREY  
25 P. O. Box 2265  
Santa Fe, New Mexico 87504

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## I N D E X

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## JOHN CORBETT

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MR. STOGNER: Call next Case Number 9295, which is the application of Hixon Development Company for a nonstandard oil proration unit in Rio Arriba County, New Mexico.

We'll call for appearances in this matter.

MR. ROBERTS: Mr. Examiner, I'm Tommy Roberts from Farmington, New Mexico, on behalf of the applicant, and I have two witnesses.

MR. STOGNER: Are there any other appearances in this case?

(Witnesses sworn.)

Mr. Roberts.

CHARLES O. FOSTER,  
being called as witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. ROBERTS:

Q Would you please state your name and your place of residence?

1           A           My name is Charles O. Foster and I live  
2 in Durango, Colorado.

3           Q           What is your occupation?

4           A           I'm Vice President of Land for Hixon De-  
5 velopment Company.

6           Q           Have you testified before the Oil Conser-  
7 vation Division on any prior occasion?

8           A           Yes, I have.

9           Q           In -- in what capacity?

10          A           I testified as Vice President of Land for  
11 Hixon Development Company.

12          Q           And what was the subject matter of that  
13 testimony?

14          A           We had an application submitted before  
15 the NMOCC regarding a nonstandard proration unit in the Bis-  
16 ti Lower Gallup Oil Pool.

17          Q           And were you qualified as an expert in  
18 that case?

19          A           Yes, I was, as an expert in petroleum  
20 land mangement.

21          Q           And, Mr. Foster, are you directly  
22 familiar with the operations of Hixon Development in the  
23 area of this pool?

24          A           Yes, I am.

25          Q           And would you describe the extent of

1 those operations in this area?

2 A Hixon Development Company has acquired  
3 approximately 3200 acres in the Gavilan Mancos Oil Pool. We  
4 operate nine wells and have an on-going exploration program  
5 in the area.

6 Q And are you familiar with the application  
7 in this case?

8 A Yes, I am.

9 MR. ROBERTS: Mr. Examiner, I  
10 would tender Mr. Foster as an expert in the field of petro-  
11 leum land management.

12 Q Mr. Foster is so qualified.

13 Q Mr. Foster, would you briefly describe  
14 the purpose of this application?

15 A Hixon Development Company has applied for  
16 a 320-acre nonstandard proration unit comprising the east  
17 half of Section 26, Township 26 North, Range 2 West, in Rio  
18 Arriba County, New Mexico.

19 Q Would you describe the pool rules which  
20 are applicable to this particular pool?

21 A NMOCC Order No. R-17407-E provides for a  
22 standard spacing at 640-acre units, with at least one and  
23 not more than two wells on the standard spacing unit.

24 It also grandfathers in existing spacing  
25 units.

1 Q And what is the exception you request?

2 A We propose to dedicate the east half of  
3 Section 26, comprising 320 acres to our Joe Whitney No. 1  
4 Well.

5 Q Refer to what's been marked as Exhibit  
6 Number One. please, and identify that exhibit.

7 A This exhibit shows the proposed location  
8 of the Joe Whitney No. 1 Well, which is in approximately the  
9 northeast quarter of Section 26.

10 It also shows an outline of our proposed  
11 nonstandard oil proration unit and also the ownership of  
12 offsetting acreage and the types of leases covering the ac-  
13 reage around that area.

14 Q And is the proposed nonstandarad prora-  
15 tion highlighted in the color yellow --

16 A Yes, it is.

17 Q -- on that exhibit?

18 And is this a standard location proposed  
19 for the Joe Whitney No. 1 Well?

20 A Yes, it is. The location for the well is  
21 990 feet from the north line, 890 feet from the east line in  
22 Section 26, Township 26 North, Range 2 West, and that is a  
23 standard location.

24 Q I want to direct your attention to the  
25 acreage comprising the west half of Section 26 of this par-

1 ticular township and range. What is the ownership of that  
2 half section?

3 A The west half is currently under control  
4 of Sun Exploration Company through their Wildfire No. 1  
5 Well, located in the south half of the southwest quarter  
6 that.

7 Q When did Hixon Development Company ac-  
8 quire its interest in the acreage comprising the east half  
9 of Section 26?

10 A May 1st, 1987.

11 Q And do you know what spacing dedication  
12 rules were in effect for the pool at that time?

13 A At the time we acquired the acreage it  
14 was set up on 320-acre spacing.

15 Q Now, are the leases which cover the ac-  
16 reage in the east half of Section 26 held by production?

17 A All of them except for one are held by  
18 production.

19 Q And which, which one is not held by pro-  
20 duction?

21 A The lease that's located in the southeast  
22 quarter of the northeast quarter labeled as Federal Lease NM  
23 56516.

24 Q And referring to Exhibit Number One  
25 again, how is that acreage depicted on that exhibit?

1           A           That acreage is depicted in the color  
2 orange on Exhibit One.

3           Q           Does that Federal oil and gas lease com-  
4 prise only 40 acres?

5           A           Correct.

6           Q           What is the expiration date of that  
7 lease?

8           A           That lease expires on June 30th, 1988.

9           Q           Mr. Foster, I want to direct your atten-  
10 tion now to what's been marked as Exhibit Number Two and  
11 would you identify that exhibit, please?

12          A           Exhibit Number Two shows the boundaries  
13 of the Gavilan Mancos Oil Pool. It also shows prior  
14 development in the area of our proposed nonstandard prora-  
15 tion unit on 320-acre spacing.

16                    It also shows how the west half of Sec-  
17 tion 26 has already been developed on 320-acre spacing, and  
18 it also reflects NMOCC Order No. R-7407 where it created  
19 several exceptions to the 640-acre spacing.

20          Q           Again referring to the exhibit and the  
21 color coding, what is represented by the orange coloration  
22 on the exhibit?

23          A           Exhibit -- where it shows orange shows  
24 the prior exceptions to the 640-acre spacing.

25          Q           And what's represented by the green

1 coloration?

2 A The green shows our proposed nonstandard  
3 spacing unit for which we're applying for right now.

4 Q And again, how are the boundaries of the  
5 pool depicted on this exhibit?

6 A The boundaries of the pool are depicted  
7 in several different types of hatched marks around, which in  
8 the center of each of the pools is labeled, for instance, on  
9 the western portion of the section, the West Lindrith Gal-  
10 lup-Dakota Pool it is reflected in sort of a dotted, large  
11 dotted, hatched mark around it.

12 In the area of the Gavilan-Mancos Pool is  
13 kind of a slanted line-type hatch mark around that.

14 Q Okay. Has Hixon Development Company con-  
15 sidered alternatives to the development of this acreage  
16 other than on the basis of a nonstandard proration unit?

17 A Yes, we have.

18 Q And what alternatives have you consid-  
19 ered?

20 A We've considered voluntary joinder by Sun  
21 or at the very least force pooling Sun's interest in the  
22 west half to drill on a standard proration unit.

23 Q I want to have you refer to what's been  
24 marked as Exhibit Number Three and identify that exhibit.

25 A Exhibit Number Three is a letter to Sun

1  
2 Exploration Company in Dallas, Texas, wherein Hixon  
3 Development Company has offered to purchase 50 percent of  
4 their interest in the Wildfire No. 1 Well, which is located  
5 in the south half of the southwest quarter of Section 26,  
6 Township 26 North, Range 2 West.

7 Q And what is the date of that letter?

8 A The letter is dated January 21st, 1981.

9 Q And what's the --

10 A Or, excuse me, '88.

11 Q What's the present status of that propo-  
12 sal?

13 A We have not heard back yet from Sun.

14 Q Now, in your opinion, Mr. Foster, is a  
15 forced pooling procedure a feasible alternative for Hixon,  
16 given the lease expiration problem that you're confronted  
17 with?

18 A No, it is not.

19 Q And why is it not?

20 A We're familiar with the position that Sun  
21 had taken in NMOCC Case No. 9225, where Mesa Grande  
22 Resources filed a forced pooling application to join its  
23 interest in an undeveloped 320-acre tract with the interests  
24 of Sun in an adjacent developed 320-acre tract to form a  
25 standard spacing unit pursuant to NMOCC Order No. R-7407-E.

Sun opposed this application and the case

1 is now under advisement by the Commission, and time being a  
2 problem at this time, the lease expiration date is coming up  
3 very quickly, so --

4 Q Mr. Foster, I want you to briefly summar-  
5 ize the land considerations which are the basis for the re-  
6 quest of Hixon in this case for the exception.

7 A Considerations being the expiring lease  
8 in the southeast quarter of the northeast quarter, that  
9 being June 30th, 1988, we have very little time to try and  
10 work something out between now and that time, and the other  
11 alternatives just aren't feasible knowing the position of  
12 Sun in that prior case.

13 Q In your opinion will the granting of this  
14 application result in the prevention of waste and protection  
15 of correlative rights and be in the best interest of conser-  
16 vation?

17 A Yes, I do.

18 Q In your opinion will the granting of the  
19 application interfere with the orderly development of the  
20 Gavilan-Mancos Oil Pool?

21 A No, I do not.

22 Q Mr. Foster, are you familiar with the no-  
23 tice requirements of Rule 1207 of the rules and regulations  
24 of the Oil Conservation Division?

25 A Yes, I am.

1           Q           And have those requirements been satis-  
2           fied in this case?

3           A           They have.

4           Q           Would you describe what notification ac-  
5           tivities you've -- you've undertaken?

6           A           I sent certified letters with return re-  
7           ceipt requested to all of the known offset operators adja-  
8           cent to the Joe Whitney location.

9                        I've received confirmation of receipt  
10          from all of my letters except for one, which was returned  
11          undeliverable as addressed. Recently, in the last couple of  
12          days, I have identified two additional ownerships adjacent  
13          to our Joe Whitney Well, and I contacted the operators by  
14          telephone yesterday and they both indicated that they would  
15          have no opposition to our request, and I plan to send a let-  
16          ter to them tomorrow formally notifying them by mail and  
17          asking them to return a letter back to the NMOCD regarding  
18          our application.

19          Q           Would you identify those two owners?

20          A           The first owner was T. H. McIlvain & Com-  
21          pany and the second owner was Mazola and Company.

22          Q           What is the proposed spud date for the  
23          Joe Whitney No. 1 Well?

24          A           As soon as feasible after the approval of  
25          our application.

1 Q Do you then request that the Division ex-  
2 pedite its decision in this case?

3 A Yes, I do.

4 Q Were Exhibits One, Two, and Three either  
5 prepared by you or under your direction and supervision?

6 A Yes, they were.

7 MR. ROBERTS: Mr. Examiner, I  
8 would move the admission of Exhibit Numbers One, Two, and  
9 Three.

10 MR. STOGNER: Exhibits One,  
11 Two, and Three will be admitted into evidence at this time.

12 MR. ROBERTS: I have no other  
13 questions of this witness.

14

15 CROSS EXAMINATION

16 BY MR. STOGNER:

17 Q Mr. Foster, when I look at Exhibit Number  
18 Two, did you just color in those particular 320-acre prora-  
19 tion units that are existing in this particular portion of  
20 the pool or did you take into account all the proration  
21 units in the pool?

22 A Just in the portion of the pool that was  
23 directly offsetting our proposed location.

24 Q Okay. Now the pool boundaries to the  
25 north are between Sections 23, 26, 24, 25, is that correct,

1 that little -- that heavy dashed line?

2 A Correct.

3 Q Now, you show up there in the east half  
4 of Section 22 a 320-acre proration unit. Is that dedicated  
5 to the Gavilan-Mancos Pool?

6 A I believe it is.

7 Q Okay. And that's the one-mile rule, I  
8 assume, correct?

9 A I believe that's correct.

10 Q Okay, now you referred to some certified  
11 copy receipts. Do you have those?

12 A I do not have them with me; however, I  
13 could send copies of all of the notification letters bearing  
14 the certified numbers to the Commission. We can present  
15 those as evidence in the near future, if we need to.

16 Q Okay, you're referring to the letter of  
17 application?

18 A Letter of application and also should  
19 have been copies directed to you of the letters that we sent  
20 out for notice purposes.

21 The letter, I believe, that came back un-  
22 deliverable as addressed was addressed to, I think it was  
23 Carolyn Oatman Trust, or something to that effect.

24 Q Out of Austin, Texas?

25 A I believe that's correct.

1 MR. STOGNER: I'll take admin-  
2 istrataive notice of -- it was -- these attachments are in a  
3 cover letter to us dated January 12th, 1987, by Hixon Devel-  
4 opment Company with the return receipt numbers on them and  
5 copies of the letters sent with those.

6 Q When do you propose to spud this well?

7 A As soon as possible after approval of our  
8 application, weather also being a consideration at this time  
9 of year.

10 Q Is that Federal, state, or fee land?

11 A It's Federal land, is the acreage where  
12 the Joe Whitney Well is located.

13 Q Okay.

14 A There is no state acreage.

15 Q Has there been an application to drill  
16 made with the BLM office in Farmington?

17 A Yes, there has.

18 Q Has it been accepted yet?

19 A I think it has been approved at this  
20 time.

21 Q Okay.

22 MR. STOGNER: Are there any  
23 other questions of Mr. Foster at this time?

24 Mr. LeMay?

25

1 QUESTIONS BY MR. LEMAY:

2 Q Mr. Foster, I notice your letter was --  
3 left open your offer on joining to February 19th, 1988.

4 In the event that Sun would take you up  
5 on your offer, is it fair to assume that you would not drill  
6 the well then and just join?

7 A I would assume that would be our case at  
8 this time. They're -- we don't even know what their re-  
9 sponse is going to be. We've contacted them prior to this  
10 hearing to see if they've had a chance to look at it and  
11 essentially they said they had no decision, which is why I  
12 testified that we had no response from them at this time.

13 Q But your letter leaves open your offer  
14 till February 19th, so is it fair to assume that if they  
15 agreed to your offer you can negotiate a 640-acre proration  
16 unit there by joining them, that you would not drill the  
17 well?

18 A Most likely.

19 Q One other thing, in your -- in your let-  
20 ter on Item 3 in your offer, I notice that your offer indi-  
21 cates that the price you would pay would be reduced by the  
22 income received from that well proportionately reduced to  
23 your interest acquired in the well.

24 Are -- are you familiar with the Case  
25 9225 that the Commission has taken under advisement in which

1 case neither Sun nor Mesa Grande felt that the income re-  
2 ceived to date should be a factor in purchasing the interest  
3 in the well?

4 A Considering to date that the well has  
5 never produced, I'm not sure that this paragraph will really  
6 be a factor in this.

7 Q There's no, no income at all from the  
8 well.

9 A Not to date. This is a protection  
10 mechanism we've built into our deal but there is no -- there  
11 is no production on that well at this time.

12 Q Thank you.

13 MR. LEMAY: No further ques-  
14 tions.

15 MR. STOGNER: Thank you, Mr.  
16 Lemay.

17 Are there any other questions  
18 of this witness?

19 MR. KELLAHIN: Mr. Examiner,  
20 I'm Tom Kellahin, the Santa Fe law firm of Kellahin, Kella-  
21 hin & Aubrey. I'd like to enter my appearance on behalf of  
22 Sun Exploration and Production Company.

23 Mr. Examiner, we need some ad-  
24 ditional time in which to evaluate this application. I  
25 think it's a serious question of how the Commission is going

1 to integrate this type of request with the other request  
2 pending before the Commission in the Mesa Grande case.

3 If I might ask the witness a  
4 few questions, to see if I understand what his position is.

5

6

CROSS EXAMINATION

7 BY MR. KELLAHIN:

8 Q Let me ask you, what is your soonest ex-  
9 piration date, sir?

10 A Our soonest expiration date is the south-  
11 east quarter of the northeast quarter of that section.

12 Q And what is that date?

13 A June 30th, 1988.

14 Q What was your first correspondence to Sun  
15 with regards to the proposal to form the 640 spacing unit?

16 A Probably our letter dated January 21st,  
17 '88, to Mr. Branch in Dallas.

18 Q Was notice provided to Sun of the appli-  
19 cation for hearing today?

20 A Yes, it was.

21 Q And what was your date of notice on that?

22 A I do not have it handy but I'm sure Mr.  
23 Stogner has a copy of the letter there. It would have been  
24 within 22 days of the application.

25 MR. STOGNER: Mr. Kellahin, let

1 me hand you a copy of the correspondence in our files in  
2 this case.

3 MR. ROBERTS: Mr. Kellahin,  
4 there was a return receipt returned to Hixon Development  
5 Company but he doesn't have it with him at this point. We  
6 can get you that information.

7 MR. STOGNER: Mr. Roberts, why  
8 don't you supplement the record with that when --

9 MR. ROBERTS: Okay.

10 MR. STOGNER: -- you have a  
11 chance?

12 MR. KELLAHIN: Mr Examiner, I  
13 don't choose to -- to delay Mr. Roberts or his client with  
14 regards to what they intend to do; however, there appears to  
15 be enough time within his drilling program and weather con-  
16 ditions to provide an opportunity for me to double check  
17 with my client with regards to how they propose this case be  
18 handled.

19 If it is acceptable to the par-  
20 ties and to the Examiner, I would like an opportunity subse-  
21 quent to the hearing to submit a proposed order and an ex-  
22 planation to both the Commission and Hixon Development as to  
23 the position Sun takes.

24 I know from the January 21st  
25 letter that there's a response due date of February 19th, I

1 believe it is. I'm concerned, as Commissioner LeMay is,  
2 about what is intended to happen with this case and how it  
3 might influence how the rest of Gavilan is being handled. I  
4 believe a two-week period in which to submit that order and  
5 correspondence would be fair and appropriate and we would  
6 seek that from you, Mr. Examiner.

7 MR. ROBERTS: We'd have no  
8 objection to that request.

9 MR. STOGNER: Do you propose,  
10 Mr. Kellahin, Mr. Roberts, that we continue this case until  
11 the 17th or just hold the record open until the 19th?

12 MR. KELLAHIN: Procedurally I  
13 would propose that this be continued over until September  
14 17th, which is the next Examiner hearing -- February 17th,  
15 which would give me an opportunity then to talk to Mr.  
16 Roberts about what we're doing. I would hope that it  
17 wouldn't require a further evidentiary hearing, but  
18 procedurally we would request that a continuance until the  
19 February 17th Examiner Hearing.

20 MR. STOGNER: Mr. Roberts, do  
21 you have any --

22 MR. ROBERTS: Mr. Examiner, I  
23 have no objection to that. In fact, it might be necessary  
24 to continue the case until that time in order to provide the  
25 two recently identified interest owners with formal notifi-

1 cation of the application and to give them the necessary 20-  
2 day notification. That letter will go out to them tomorrow  
3 and so I think this would fit in nicely with Mr. Kellahin's  
4 request for a continuance until that time.

5 MR. STOGNER: Okay, Mr. Kella-  
6 hin, do you have any objection with continuing this case and  
7 hearing the evidence today and if we need to hear any addi-  
8 tional testimony on the 17th hearing we may do so? Other  
9 than that, we could just take it under advisement at that  
10 time if, whatever the case may be?

11 MR. KELLAHIN: I have no objec-  
12 tion to that procedure.

13 MR. ROBERTS: We would certain-  
14 ly want to go ahead and present the testimony we do have to-  
15 day.

16 I have one more witness.

17 MR. STOGNER: Do you have any  
18 questions, Mr. Kellahin?

19 MR. KELLAHIN: No, sir.

20 MR. STOGNER: Okay. Are there  
21 any other questions of Mr. Foster?

22 If not, he may be excused.

23 Mr. Roberts?

24 MR. ROBERTS: Call John Cor-  
25 bett.

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JOHN CORBETT,

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

DIRECT EXAMINATION

BY MR. ROBERTS:

Q State your name and place of residence.

A My name is John Corbett. I live in Farmington, New Mexico.

Q What is your occupation?

A I'm Vice President of Exploration with Hixon Development Company in Farmington.

Q Have you testified before the New Mexico Oil Conservation Division or Commission on any prior occasions?

A No, I haven't.

Q How long have you been employed by Hixon Development Company?

A Five years.

Q And would you describe your responsibilities in your employment positions?

A I review our drilling program, our acquisitions. I recommend prospects for drilling and for acquisition and calculate the company's reserves.

1 Q What has been your work experience prior  
2 to being employed by Hixon Development Company?

3 A I started with Hixon Development out of  
4 college.

5 Q What is your post high school educational  
6 background?

7 A I receive a Bachelor of Science in geol-  
8 ogy from the University of Wyoming and then attended the  
9 University of Wyoming, took one more year of post graduate  
10 studies.

11 Q Are you directly familiar with the opera-  
12 tions of Hixon Development Company in the area of the Gavi-  
13 lan Mancos Oil Pool?

14 A Yes, I am.

15 Q And are you -- what are your responsibil-  
16 ities in that area for the company?

17 A Reservoir and structure mapping, calcula-  
18 tions of reserves, evaluation and acquisitions and recom-  
19 mending drilling prospects.

20 Q Are you familiar with the application in  
21 this case?

22 A Yes, I am.

23 MR. ROBERTS: Mr. Examiner, I  
24 would tender Mr. Corbett as an expert in the field of petro-  
25 leum geology.

1 MR. STOGNER: Mr. Corbett is so  
2 qualified.

3 Q Mr. Corbett, would you refer to what's  
4 been marked as Exhibit Number Four and identify that exhi-  
5 bit?

6 A This is a schedule of production from the  
7 offset wells as are seen on Exhibit Two, wells offsetting  
8 our nonstandard proration unit.

9 Q What is the source of the information de-  
10 picted on this exhibit?

11 A That is Exhibit Two.

12 Q Yeah, what is -- what is the source of  
13 the information there?

14 A Oh, I'm sorry.

15 Q Where did you compile this?

16 A These records were compiled from publica-  
17 tions from the NMOCD.

18 Q Refer to Exhibit Number Two and describe  
19 the particular locations for the wells for which data has  
20 been compiled.

21 A Exhibit Two shows locations for the Tapa-  
22 citos Well No. 2 in Section 25, the Divide Well No. 1 in  
23 Section 35, the Wildfire No. 1 in Section 26, and the Sie-  
24 fert (sic) Gas Com "A" No. 1 in Section 22.

25 Q For the reord would you identify the

1 operators of those wells?

2 A The Tapacitos and Divide wells are oper-  
3 ated by Hixon Development Company.

4 Wildfire No. 1 is operated by Sun Explor-  
5 ation and Siefert Gas Com is operated by Amoco.

6 Q Mr. Corbett, briefly describe the produc-  
7 tion histories for each of these wells.

8 A The only two wells that show or that have  
9 any history of production are the Divide No. 1, which is  
10 currently shut in. It has current production of 71 barrels  
11 of oil. It was originally produced in October of 1986.

12 The other well that has produced is the  
13 Tapacitos Well No. 2; originally produced in August of 1984;  
14 currently produces 140 barrels of oil per month and has a  
15 cumulative production of approximately 30,000 barrels of  
16 oil.

17 The Tapacitos 2 is expected in its life  
18 to produce approximately 50,000 barrels of oil; the Divide,  
19 perhaps 7000 barrels.

20 Q Mr. Corbett, what conclusions, if any,  
21 can you draw from this data illustrated in the exhibit with  
22 respect to the application of Hixon in this case?

23 A These wells are not draining the 640-acre  
24 proration unit as it the standard proration unit in the Gav-  
25 ilan Pool.

1           Q           Briefly summarize the geologic considera-  
2 tions then, Mr. Corbett, which are the basis for the re-  
3 quest.

4           A           It's recognized that in several places in  
5 the Gavilan Pool one well will not adequately drain a 640-  
6 acre section and the Commission in those cases allows for an  
7 infill well to be drilled or a second well per section. Our  
8 case is seeking a second well in Section 26.

9           Q           Do you propose an allowable for the Joe  
10 Whitney No. 1 Well?

11          A           Yes, we do. We're proposing an allowable  
12 of 400 barrels of oil per day for that well.

13          Q           What is the basis for that proposal?

14          A           That's one-half of the Gavilan allowable  
15 at this time because we have half of a section.

16          Q           In your opinion will the granting of this  
17 application result in the prevention of waste, the protec-  
18 tion of correlative rights, and be in the best interest of  
19 conservation?

20          A           Yes, it will.

21          Q           And in your opinion will the granting of  
22 this application interfere with the orderly development of  
23 the Gavilan Mancos Oil Pool?

24          A           No, it won't.

25          Q           Was Exhibit Number Four prepared by you

1 or under your direction and supervision?

2 A Yes.

3 MR. ROBERTS: Mr. Examiner, I  
4 would move the admission of Exhibit Number Four.

5 MR. STOGNER: Exhibit Four will  
6 be admitted into evidence at this time.

7 MR. ROBERTS: I have no other  
8 questions of this witness.

9

10 CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q Mr. Corbett, did you prepare any kind of  
13 map or geological study of this particular area?

14 A Geologic maps have been prepared and pre-  
15 sented before the Commission. The trends on the structure  
16 map are frequently cut, that is trends of high production  
17 often cross trends of structure. There dosen't appear to be  
18 a strong correlation.

19 Q So you are saying that you agree with  
20 those structure maps that have previously been submitted as  
21 evidence in the previous cases?

22 A Yes, that's correct.

23 Q When I look at the history to this Divide  
24 Well No. 1, it seems like it produced for two months, just a  
25 little bit, and then it went to zero as far as the oil goes,

1 and produced quite a bit of -- or produced a little bit of  
2 gas, and then in November of '87 you got some more oil back.

3                   Was there anything that Hixon did to  
4 stimulate the well or was this just natural flow or could  
5 you give me a little more history on that?

6                   A           I think most of that oil had accumulated  
7 in the casing and the well wasn't being pumped until Novem-  
8 ber of '87 from probably November of '86. There was some  
9 gas production and then in November the well was returned to  
10 pump and declined abruptly.

11                  Q           Now is there a pump out there on that  
12 well now?

13                  A           Yes, there is.

14                  Q           Now let's look over at Tapacitos Well No.  
15 2. There seems to be a break in the production in Septem-  
16 ber of '86 and was there anything done to stimulate the gas,  
17 increase in gas production in this particular well?

18                  A           No. I think what happened there is that  
19 Hixon didn't operate the well at that time; however, around  
20 that time the Aztec Office of the OCD started requiring more  
21 stringent testing of gas to prevent venting and waste.

22                  Q           Okay. Who operated this well prior to  
23 Hixon?

24                  A           It was being operated by Dugan Production  
25 at that time.

1 Q And when did Hixon take over the well?

2 A The same time we purchased the lease in  
3 question in this case, in May of '87.

4 MR. STOGNER: I have no further  
5 questions of Mr. Corbett.

6 Are there any other questions?

7 Mr. LeMay?

8

9 QUESTIONS BY MR. LEMAY:

10 Q Yes, sir. Mr. Corbett, do you have any  
11 estimates on production capability rates or reserves on the  
12 Wildfire No. 1 or the Siefert Gas Com "A" 1?

13 A Both wells have been rumored to be cap-  
14 able of producing in the 90-barrel a day range. That --  
15 that would be an IP, and they have yet to sell oil from  
16 either of those wells, to the best of my knowledge.

17 Q When was the Wildfire No. 1 completed?

18 A It was drilled last winter and probably  
19 in March or April of '87.

20 Q Do you know why there's such a lag in  
21 when a well starts producing and when it's completed in this  
22 case?

23 A I think the well was -- was drilled by  
24 one operator and then subsequently sold to Sun while they've  
25 been assimilating a large purchase in the Gavilan area. I

1 think this well, because it's not a hot property, hasn't  
2 been brought up to speed as quickly as the rest.

3 I know they don't have a pipeline  
4 connection yet to sell gas to.

5 Q Has it been a problem in this area, to  
6 your knowledge, Mr. Corbett, as far as being able to get a  
7 pipeline connection to sell casinghead gas?

8 A It's -- it hasn't always been expensive,  
9 or it hasn't been a time problem. It has at times been  
10 expensive and because of problems with transportation, oil  
11 wells have been shut-in to, well, the inability to move  
12 casinghead gas.

13 Q Who's buying casing gas in this area, do  
14 you know?

15 A El Paso, and most of our casinghead is  
16 sold on the spot market. Recently El Paso has bought more  
17 of it. It's being transported by El Paso, Northwest. In  
18 this particular case Hixon Development has our own  
19 transportation system to El Paso's line.

20 Q And to your knowledge have they accepted  
21 all the casinghead gas that you've made available to them  
22 at market clearing level prices?

23 A In -- in this gathering system it has  
24 been accepted.

25 Q In your offer, I'm assuming that Hixon

1 considers the Wildfire No. 1 a commercial well, even though  
2 there's no production history yet.

3 A Yes, we're -- we're hoping that it will  
4 be; otherwise we wouldn't be proposing to offset it.

5 MR. LEMAY: I have no further  
6 questions of Mr. Corbett.

7 MR. STOGNER: Mr. Kellahin.

8 MR. KELLAHIN: Thank you, Mr.  
9 Examiner.

10

11

CROSS EXAMINATION

12 BY MR. KELLAHIN:

13 Q You said earlier in a response to Mr.  
14 Roberts' question that it was your conclusion that the well  
15 in Section 26 was not going to be able to drain 640 acres,  
16 or did I misunderstand what you were saying?

17 A The wells for which we have production  
18 declines in 25 and 35, Sections 25 and 35.

19 Q That's the Divide and the Tapacitos  
20 Wells.

21 A Yes, sir.

22 Q That was the basis upon which you con-  
23 cluded that those wells appeared not to be able to drain 640  
24 acres.

25 A That's correct.

1           Q           Do you have any geologic basis for deter-  
2 mining whether or not you can reach an opinion that the Sun  
3 Wildfire Well in the west half of Section 26 is not going to  
4 be able to drain 640 acres?

5           A           Geologically I haven't prepared a stand-  
6 ard decline for the Gavilan Pool; however, if you look at  
7 the Tapacitos it roughly approximates a decline for the Gav-  
8 ilan Pool.

9                       If you were to start that decline at 90  
10 barrels a day, no, it would not produce an adequate amount  
11 of reserves or the kind of reserves that we're believing are  
12 in 640 acres.

13           Q           I didn't make myself clear. Is there any  
14 geologic evidence, data, or opinions you can reach as to the  
15 Wildfire Well itself? Is there any geologic reason that  
16 causes you to say it won't drain the 640 acres in the Sec-  
17 tion 26?

18           A           Because the offsets are not; that's the  
19 basis for our thinking.

20           Q           Do you have any engineering studies or  
21 engineering information upon which you can conclude that the  
22 Sun Wildfire Well doesn't demonstrate the reservoir charac-  
23 teristics to allow it to drain 640 acres?

24           A           We don't have any reservoir data on the  
25 Wildfire, simply the offset wells.

1 Q And those offset wells that form the  
2 basis of your opinion, then, are the Tapacito No. 2, I think  
3 it was, and the Divide, is it No. 1?

4 A Yes.

5 Q Are those wells that, if I understood  
6 correctly, Hixon now operates?

7 A Yes.

8 Q The basis of your opinion is based upon  
9 decline curves of production information from the Divide No.  
10 1 and the Tapacito Well?

11 A Yes, it is.

12 Q Have you done any other type of engineer-  
13 ing calculation or study or has it been done for Hixon upon  
14 which you can determine the performance of those wells?

15 A We monitored pressure declines versus  
16 production declines and it seems to go hand-in-hand.

17 Q Have you prepared in the form of a dis-  
18 play or an exhibit the pressure versus production analysis  
19 that you just described?

20 A No, I haven't.

21 Q Do you have that information available?

22 A It is available in our office.

23 Q The -- the evidence you presented today  
24 is simply a production decline curve --

25 A Yes.

1 Q -- for those two wells? Okay. Is there  
2 any other reason that you can cite us to that supports the  
3 basis of your conclusion that the wells in this vicinity are  
4 not going to drain 640 acres?

5 A The geology and engineering has long been  
6 contested. The only thing that seems to be uncontestable  
7 are the decline curves from various wells and that's why  
8 we've used this set.

9 Q Do you have enough information from which  
10 to construct a decline curve on the Sun Wildfire Well?

11 A No, sir.

12 Q Your conclusion is, however, based upon  
13 your -- the data available to you, that that appears to be a  
14 commercial well?

15 A It has not been a commercial well at this  
16 point in time because it has no record of production.

17 Q But it is your desire, if Sun will agree  
18 with you on a voluntary basis, that Hixon would participate  
19 in the Wildfire Well and we'd form a 640-acre spacing for  
20 that well. That's your first choice, is it?

21 A That was the object of the letter that we  
22 sent to them on January 21st.

23 Q Have you determined whether or not you  
24 will utilize the procedure of compulsory pooling to pool  
25 your way into the Wildfire Well should Sun elect not to do

1 so on a voluntary basis?

2 A It's something that's been discussed.  
3 We're aware that -- that Sun is contesting a compulsory  
4 pooling case elsewhere in the pool.

5 Q So as opposed to filing a compulsory  
6 pooling case, you're seeking the alternative of creating a  
7 nonstandard unit for the east half of the Section 26?

8 A That's correct.

9 Q What is the proposed cost for the Hixon  
10 Well, can you tell me, in the east half?

11 A Our AFE is approximately \$620,000.

12 Q That's for a completed well?

13 A Yes, sir.

14 Q Does Hixon have the entire east half in-  
15 terest?

16 A We own an undivided 60 percent in the  
17 east half.

18 Q And who would be the other participants  
19 in the east half, then, in the well?

20 A Dugan Production.

21 Q Thank you.

22 MR. ROBERTS: I have no other  
23 questions.

24 MR. STOGNER: Are there any  
25 other questions of this witness?

1 If not, he may be excused.

2 Mr. Roberts, do you have any-  
3 thing further in this case to present today?

4 MR. ROBERTS: No, sir.

5 MR. STOGNER: Mr. Kellahin, do  
6 you have any witnesses or would you like to --

7 MR. KELLAHIN; No, sir. I'd  
8 like to defer until the next hearing, if that's acceptable  
9 to the parties, Mr. Examiner.

10 MR. STOGNER: Okay.

11 MR. ROBERTS: No objection.

12 MR. STOGNER: If there's  
13 nothing further for today's case, then we will adjourn this  
14 particular case and reopen it -- I mean, I'm sorry, continue  
15 it to the Examiner Hearing scheduled for February 17th,  
16 1988, and let's take about a fifteen minute recess at this  
17 time.

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19 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete and correct record of the proceedings in the Examiner hearing of Case No. 9295, heard by me on 3 February 1958.  
Michael C. [Signature], Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

17 February 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Hixon Development                   CASE  
Company for a non-standard oil pro-               9295  
ration unit, Rio Arriba County,  
New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Applicant:

For Sun E & P Co.:

W. Thomas Kellahin  
Attorney at Law  
KELLAHIN, KELLAHIN & AUBREY  
P. O. Box 2265  
Santa Fe, New Mexico 87504

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MR. CATANACH: Call Case 9295.

The application of Hixon Development Company for a nonstandard oil proration unit, Rio Arriba County, New Mexico.

The applicant has requested that this case be continueda to March 16th.

Case 9295 will hereby be continued to March 16th.

(Hearing concluded.)

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C E R T I F I C A T E

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Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9095, heard by me on February 17, 1988.

David R. Cabant, Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

16 March 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Hixon Development  
Company for a nonstandard oil pro-  
ration unit, Rio Arriba County, New  
Mexico.

CASE  
9295

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

For the Applicant:

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MR. CATANACH: Call next Case 9295. The application of Hixon Development Company for a nonstandard oil proration unit, Rio Arriba County, New Mexico.

The applicant has requested that this case be continued to March 30th, 1988.

(Hearing concluded.)

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C E R T I F I C A T E

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SWB

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9295, heard by me on March 16, 1988.

David R. Cabanauk, Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

30 March 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of Hixon Development Com- CASE  
pany for a nonstandard oil proration 9295  
unit, Rio Arriba County, New Mexico.

BEFORE: Michel E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Commission: Charles E. Roybal  
Legal Counsel for the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant: Tommy Roberts  
Attorney at Law  
P. O. Box 129  
Farmington, New Mexico 87499

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MR. STOGNER: Call next Case  
Number 9295.

MR. ROYBAL: Application of  
Hixon Development Company for a nonstandard oil proration  
unit, Rio Arriba County, New Mexico.

MR. STOGNER: Call for  
appearances in this matter.

MR. ROBERTS: Mr. Examiner, my  
name is Tommy Roberts, an attorney in Farmington, New  
Mexico, appearing on behalf of the applicant.

The applicant dismisses Case  
9295.

MR. STOGNER: At the  
applicant's request, Case Number 9295 will be dismissed.

Thank you, Mr. Roberts.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9295 heard by me on 30 March 1988.  
Michael E. Stogard, Examiner  
Oil Conservation Division

