

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

6
7 22 January 1986

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Jerome P. McHugh for CASE
11 compulsory pooling, Rio Arriba 8788
12 County, New Mexico.

13 BEFORE: Michael E. Stogner, Examiner

14
15 TRANSCRIPT OF HEARING

16
17 A P P E A R A N C E S

18
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I N D E X

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KENT CRAIG

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MR. STOGNER: We will call next
Case Number 8788.

MR. TAYLOR: Application of
Jerome P. McHugh for compulsory pooling, Rio Arriba County,
New Mexico.

MR. STOGNER: Are there any
additional appearances in Case Number 8788?

Will all the witnesses please
stand and be sworn at this time?

(Witnesses sworn.)

MR. KELLAHIN: If the Examiner
please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing
on behalf of the applicant, Jerome P. McHugh.

If the examiner is ready, we
are ready.

MR. STOGNER: I'm ready.

MR. KELLAHIN: All right, sir.

KENT CRAIG,

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

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DIRECT EXAMINATION

3

BY MR. KELLAHIN:

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

6

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A Yes. My name is Kent Craig and I'm the landman for Jerome P. McHugh in Denver, Colorado.

8

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Q Mr. Craig, have you previously testified before the Oil Conservation Division of New Mexico as a petroleum landman?

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14

A I don't believe I have.

Q All right, sir. Would you describe for the Examiner what has been your education and work experience in the field of petroleum land management?

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A Yes. I graduated in 1973 from Texas Tech University with a degree in economics and a degree in mathematics, and started working for Amoco Production Company in southern Wyoming in the overthrust in 1974, beginning in 1974, as a landman, and have negotiated contracts, purchased leases, participated in the wells, over the last twelve years.

22

23

Q Would you describe what your general duties and responsibilities are for Mr. McHugh?

24

25

A My duties are to negotiate all of our drilling deals and/or farmouts, leases, be responsible for

1 the acquisition of all of our leases and the curing of
2 title, and all the land matters that we're involved in.

3 Q On behalf of Mr. McHugh have you conduc-
4 ted an effort to obtain voluntary joinder of all the mineral
5 interest owners with regards to the drilling of the subject
6 well in the east half of Section 12, Township 25 North,
7 Range 2 West, Rio Arriba County, New Mexico?

8 A Yes, sir, I have.

9 Q And pursuant to that employment, Mr.
10 Craig, have you obtained voluntary joinder from 100 percent
11 of the working interest owners?

12 A We have from all but one party, being a
13 company called Mountain States Natural Gas Company out of
14 Tulsa.

15 Q Pursuant to your employment, Mr. Craig,
16 have you corresponded and made telephone inquiries of Moun-
17 tain States in order to obtain their voluntary joinder with
18 regards to this well?

19 A Yes, sir. We --

20 Q I'll ask you in a minute exactly what you
21 did.

22 A Okay.

23 MR. KELLAHIN: At this point,
24 Mr. Examiner, we tender Mr. Craig as an expert petroleum
25 landman.

1 Q Mr. Craig is so qualified.

2 Q Mr. Craig, to orient the examiner, let's
3 turn to the photocopy of the plat of the area, and identify
4 for the examiner the section that you propose to be subject
5 to this pooling order.

6 A Okay. On the plat you have in front of
7 you, I don't have the township and range marked very appro-
8 priately, but starting with Section 1 there in the northeast
9 part of the map, that is Section 1 of Township 25 North, 2
10 West, and directly below that in Section 12 we have our lo-
11 cation circles in the northwest of the northwest quarter for
12 an 8200-foot Dakota test, and with the east half being
13 designated as the proration unit, drilling unit.

14 Q You indicated earlier that you had made
15 efforts to obtain voluntary joinder and as of the date of
16 this hearing had joinder on a voluntary basis from everyone
17 except Mountain States Natural Gas Corporation?

18 A Yes, sir.

19 Q What interest does that company hold
20 within the 320-acre spacing unit?

21 A A sixteenth, 6.25.

22 Q Within the half section, would you de-
23 scribe for us what specific interest they have?

24 A They have an undivided record title in-
25 terest in a Federal lease that covers the east half of the

1 southeast quarter of Section 12. It's a -- I don't recall
2 the --

3 Q Okay, within the east half of the south-
4 east quarter, then, they have an eighth, and if you propor-
5 tionately reduce that, they have a sixteenth in the 320.

6 A Correct.

7 Q All right. Would you describe for the
8 Examiner what have been your initial efforts to obtain join-
9 der by Mountain States Natural Gas Corporation?

10 A Initially we started calling Mountain
11 States Natural Gas back in August of 1985, and I have a
12 listing here of conversations -- not conversations, but at-
13 tempts we've tried to make with Mr. Blair, who is the owner
14 of Mountain States Natural Gas.

15 We followed that up with -- we have a --

16 Q With correspondence? Let me direct your
17 attention to the written correspondence, and let's place it
18 in chronological order, Mr. Craig, and if you'll start with
19 Exhibit Number Two, would you identify that for us?

20 A Exhibit Number Two is a request that we
21 wrote to Mountain States on September 13th of 1985, reques-
22 ting that Mr. Blair farm out to us for the drilling of a
23 number of wells in what we call our Lindrith Area up in Sec-
24 tion -- Township 25 North, 12 West.

25 We --

1 Q Did you subsequently follow up that let-
2 ter with other written correspondence to Mr. Blair?

3 A Yes. Exhibit Three is a letter that I
4 wrote to all the record title owners in the east half of
5 Section 12, wherein I included an AFE, Authority for Expen-
6 diture of drilling a Dakota well, an operating agreement and
7 a communitization agreement and I also made a point that if
8 anyone wished to farm out, sell their interest, to McHugh
9 and Associates, we'd certain entertain that -- that offer.

10 Q All right, let's turn now to Exhibit Num-
11 ber Four, which is the next written correspondence I have.

12 A Okay, Exhibit Number Four is a letter I
13 wrote to, again, all the working interest owners that were
14 included in the well. At this time, by the time I had writ-
15 ten this letter on January the 9th of this year, everyone
16 had joined by virtue of signing the AFE, operating agree-
17 ment, and communitization with the exception of Mountain
18 States, and this letter of January 9th is to inform all
19 working interest parties that we are not going to be able to
20 commence the well in January as we had proposed, inasmuch as
21 we have to cross the Santa Fe National Forest to get to our
22 location.

23 They requested that we not go in there
24 during the wintertime, so we delayed the well until spring,
25 late spring or early summer, which this letter points out,

1 and it also points out that all the parties have joined with
2 the exception of Mountain States Natural Gas, which has just
3 refused to acknowledge our correspondence. We haven't even
4 heard from them.

5 Q Let's turn now to Exhibit Number Five,
6 Mr. Craig, which is a chronology of your telephone efforts
7 to contact Mr. Blair of Mountain States?

8 A Okay. Number Five is a list I had typed
9 up wherein we attempted to call Mr. Albert Blair, who, as I
10 mentioned, is the President of Mountain States Natural Gas,
11 and we started in August, August the 28th, and we spoke to
12 Mr. Blair on August the 28th, and he told us that he would
13 consider any proposal we would make.

14 From that time on we've made numerous
15 farmout requests, sent joint operating agreement, and of-
16 fered to purchase his interest in this area as noted through
17 the end of November with all these telephone conversations,
18 and we've never talked to him again.

19 Q Let's turn now to Exhibit Number Six, Mr
20 Craig, which is a package of telephone receipts from your
21 telephone company. Would you identify this exhibit?

22 A Yes. Exhibit Number Six is just a -- to
23 show the Commission that we have made numerous attempts.
24 This starts the beginning of September to Mr. Blair's phone
25 number in Jenks, Oklahoma, is how it's listed here. It's
actually Tulsa. And each one of the designated checks, or

1 the highlights, are the attempts we made to get hold of Mr.
2 Blair, and you can see the times -- we've contacted Mr.
3 Blair from 7:00 o'clock in the morning till 11:00 o'clock at
4 night, and usually our response is an answering machine.

5 MR. KELLAHIN: Exhibit Number
6 Seven, Mr. Stogner, is a copy of my letter to Mountain
7 States noticing Mr. Blair of the hearing. The letter is
8 dated November 15th. A return receipt, the original shows
9 that Mountain States Natural Gas received this on December
10 1st of '85, notifying them of the pending hearing before the
11 Commission.

12 Q Let's turn now for a moment, Mr. Craig,
13 to Exhibit Number Eight, which is the AFE. Is this the same
14 AFE that you've circulated to all the working interest
15 owners?

16 A Yes, sir.

17 Q And is this the AFE that has been ap-
18 proved by all the working interest owners with the exception
19 of Mountain States Natural Gas?

20 A That is correct.

21 Q In preparing an operating agreement for
22 this property, Mr. Craig, what overhead rates have you uti-
23 lized in that operating agreement?

24 A We've used the same rates we've used on
25 all of our Dakota wells in here, and that's \$3500 on a drill-

1 ling well rate and \$350 on a producing well rate, fixed rate
2 basis.

3 Q Are those the rates that have been
4 accepted and approved by the other working interest owners
5 with the exception of Mountain States?

6 A Yes, sir, they are.

7 MR. KELLAHIN: That concludes
8 my examination of Mr. Craig.

9
10 CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q Mr. Craig --

13 A Yes, sir.

14 Q -- you've got a large telephone bill. I
15 need to show that to my boss so he won't complain about mine.

16 You did have a conversation on August
17 28th with Mr. Blair?

18 A Right, the first time we tried to contact
19 Mr. Blair, we talked to him and he was aware he had some
20 interest in this part of New Mexico, but that's -- that's
21 about as clear as it really was to him. We -- we -- he had
22 a number of other interests in other sections in this town-
23 ship, as well as the township to the north, and we expressed
24 our desire to try to make a deal with him on all of this
25 properties, starting with Section 12, because that's the

1 first well we plan to drill, which included part of his pro-
2 perty, and he said, well, continue to let me know what your
3 plans are. Call me, write me, and make an offer, which
4 we've done, and we've never heard another message from him.

5 Q Mr. Blair's home address is in Jenks, Ok-
6 lahoma, is that correct?

7 A I'm not sure about that. The -- I don't
8 know how AT&T listed it on the -- the mailing address is in
9 Tulsa, and I don't know if the Jenks, Oklahoma, is just an
10 AT&T designation for that part of Tulsa, or I really don't
11 know the answer. I really don't know why it's listed as
12 Jenks, but that's how it comes out on the bill.

13 Q Okay, on a couple of your bills I show
14 918-492-9759 number.

15 A Okay, there's --

16 Q Is that an office number?

17 A Well, there's two numbers. We've called
18 his house. He has a listing in the phone book as Mountain
19 States and then he also owns a company called Coventry
20 either Properties, or Coventry Homes. He's a real estate
21 developer in Tulsa, as well, and one of those numbers may be
22 Coventry, as well. We've -- we've tried all three of his
23 numbers, Mountain States, home, and Coventry.

24 Q On your conversation with Mr. Blair in
25 August, is he a knowledgeable man about oil and gas matters?

1 A I would not say he's astute from the
2 standpoint of being an oil and gas independent. He certain-
3 ly is knowledgeable from the standpoint of familiarity with
4 leases, operating agreements, drilling costs, so on and so
5 forth, but apparently his principal, from what we've been
6 able to obtain through -- through people in Tulsa, his prin-
7 cipal business is real estate, and most of these interests
8 he got through inheritance, apparently.

9 MR. STOGNER: Okay, I have no
10 further questions of Mr. Craig.

11 Are there any other questions
12 of this witness?

13 MR. KELLAHIN: No, sir.

14 MR. STOGNER: If not, he may be
15 excused.

16 Mr. Kellahin?

17
18 GARY J. JOHNSON,
19 being called as a witness and being duly sworn upon his
20 oath, testified as follows, to-wit:

21
22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q Would you please state your name and oc-
25 cupation?

1 Johnson as an expert engineer.

2 MR. STOGNER: Mr. Johnson, I'm
3 sorry, when did you receive your degree?

4 A 1968.

5 MR. STOGNER: Who were you em-
6 ployed with between 1968 and the time you came with Mr.
7 McHugh?

8 A 1968 through 1970 I worked for Conoco in
9 Casper, Wyoming.

10 1970 to 1973, with Terra Resources, Cas-
11 per, Wyoming.

12 1973 to 1978 with Gary Operating Company
13 in Denver.

14 1978 to '82 with Brent Explorations in
15 Denver.

16 And 1982 through 1985 I was an indepen-
17 dent consultant with my own firm.

18 MR. STOGNER: Thank you, Mr.
19 Johnson.

20 Mr. Johnson is so qualified.

21 Q Mr. Johnson, let me direct your attention
22 to Exhibit Number Eight and have you identify it for the re-
23 cord.

24 A Yes. Exhibit Number Eight is the
25 Authority for Expenditure which was prepared to cover the

1 subject well, Continental Divide Well.

2 Q Can you express an opinion as an expert
3 engineer, Mr. Johnson, whether in your opinion you believe
4 this AFE to be fair and reasonable?

5 A Yes. I believe it's fair and reasonable.
6 It falls into line with our experience in the area and is
7 based on bids and our experience with drilling at least fif-
8 teen wells in this area.

9 Q Over what approximate period of time has
10 Mr. McHugh had these other fifteen Dakota wells drilled?

11 A Over the last twenty-four months.

12 Q Would you summarize for the Examiner what
13 process it is that you go through to determine that on be-
14 half of McHugh and the other working interest owners, you
15 have obtained the most favorable contract prices you can in
16 preparing the AFE?

17 A Okay. Four, our drilling contracts, log-
18 ging contracts, cementing services, professional services
19 like this, we bid this work to at least four industry con-
20 tractors and then evaluate those bids and in most cases take
21 the low bid if the people are so qualified.

22 On material purchases we do bid all of
23 this to at least four suppliers.

24 Q Let me direct your attention now to Exhi-
25 bit Number Nine, Mr. Johnson. Do you have a recommendation

1 to the Examiner as to what overhead charges you would think
2 were reasonable to include in the forced pooling order for a
3 drilling well rate and a producing well rate?

4 A Yes. In our operating agreement we have
5 asked for \$3500 per month for a drilling well rate and \$350
6 per month for an operating well rate.

7 Q Identify Exhibit Number Nine for us, Mr.
8 Johnson.

9 A Exhibit Nine are copies of some pages
10 from an Ernst and Whinney Accounting Survey of oil and gas
11 producers of their monthly drilling well and monthly pro-
12 ducing well rates.

13 Q Where do your proposed overhead rates
14 fall in terms of that survey information?

15 A Our proposed rates are lower in both
16 monthly drilling well rates and monthly producing well rates
17 than the average mean and median shown in this survey.

18 MR. KELLAHIN: That concludes
19 my examination of Mr. Johnson.

20
21 CROSS EXAMINATION

22 BY MR. STOGNER:

23 Q Mr. Johnson, on the AFE down toward the
24 last you show a pumping unit, tubes and rods, (not clearly
25 understood), separator equipment, stuff like that.

1 What happens to these charges if you hit
2 a gas well and this equipment is not needed?

3 A If the equipment is not needed, it's not
4 purchased and then it is not charged to the individuals that
5 participate in the well.

6 Q Are you familiar with the producing hori-
7 zons out there in this area?

8 A Yes.

9 Q And you're here today seeking the east
10 half. What other formations or pools are dedicated on 320-
11 acre spacing out here, do you know?

12 A To my knowledge the Mancos formation is
13 on 320's and then the Greenhorn, Graneros and Dakota is
14 pooled on 320's.

15 MR. STOGNER: I have no further
16 questions of this -- of Mr. Johnson.

17 Are there any other questions
18 of this witness?

19 MR. KELLAHIN: No, sir.

20 MR. STOGNER: If not, he may be
21 excused.

22 MR. Kellahin?

23 MR. KELLAHIN: I have one more
24 witness.

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RICHARD ELLIS,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and
occupation?

A Richard Ellis. I'm a geologist for Mr.
McHugh.

Q Mr. Ellis, you're going to have to speak
up just a little bit. You're soft-spoken.

A Okay.

Q Have you previously testified before the
Division as a geologist?

A No, I have not.

Q Would you identify for the Examiner what
has been your education and work experience; name the school
where you obtained your degree and what year?

A Okay. I received a Bachelor of Science
degree in geology from the University of Washington in 1975;
Bachelor of Science in mathematics from the University of
Washington in 1975; a Masters of Science in geology from the
University of California at Berkeley in 1977; a law degree,

1 Juris Doctor degree from University of Denver, 1982, and I'm
2 a member of the Colorado Bar since 1983.

3 My work experience, summer employment
4 with Exxon, 1975, 1976, in New Orleans and Denver respec-
5 tively as a geologist. And from 1977 through 1985, March,
6 Chevron USA in Denver as Project Coordinator for the Uinta
7 Piceance and San Juan Basins.

8 March '85 to the present time, Jerome P.
9 McHugh. I'm a geologist for him in Denver.

10 Q With regards to your responsibility as a
11 geologist for Mr. McHugh, have you made an examination of
12 the geological factors surrounding the subject well that Mr.
13 McHugh has proposed in the east half of this Section 12?

14 A Yes, I have.

15 MR. KELLAHIN: We tender Mr.
16 Ellis as an expert petroleum geologist.

17 MR. STOGNER: Mr. Ellis is so
18 qualified.

19 Q Let's orient the Examiner geologically to
20 the area, Mr. Ellis, and let me direct your attention to
21 Exhibit Number Ten; if you'll commence, sir, by simply iden-
22 tifying this exhibit for us.

23 A This is a structural and stratigraphic
24 cross section running through the proposed location. It's
25 meant to show the pay that Mr. McHugh has developed in the

1 area as extended through the proposed location.

2 Q Let's turn now to Exhibit Eleven and have
3 you also simply identify this exhibit.

4 A This is a structure map on the top of
5 what we call the Niobrara A or Tocito pay interval in the
6 Gallup formation.

7 Q Using Exhibit Eleven, the structure map,
8 will you identify for the examiner the wells that are shown
9 on the cross section, Exhibit Number Ten?

10 A The highlighted red line on the map is a
11 traverse that corresponds to the cross section we have made.

12 We have a Mesa Grande Resources well on
13 the southwest end of that cross section. It's in Section 23
14 of 25 North, 2 West.

15 We have our proposed location, the No. 1
16 Continental Divide northwest northeast of Section 12, and
17 then we have a Benson-Montin-Greer Unit No. 29 Well in the
18 west half northwest of Section 6, as being the righthand
19 side of the cross section.

20 Q Mr. McHugh seeks a well from the surface
21 to the base of the Dakota formation, Mr. Ellis. Can you
22 more specifically identify the interval that ought to be
23 subject to the 320-acre spacing order?

24 A As I understand it, the Gavilan Mancos
25 Pool actually stems from the base of the -- or excuse me,

1 from the -- midway through the Mancos formation down to the
2 top of the Carlisle, or base of what we call the Sonostee
3 (sic) Member. That is part of the pooling request today.

4 The Gavilan-Greenhorn-Graneros-Dakota
5 Pool, we are also requesting be placed into this pooling or-
6 der.

7 MR. KELLAHIN: If the Examiner
8 please, we have copies out of Byrum's Report showing what we
9 think are the two pools that would be involved on 320-acre
10 spacing, and I have included copies of the Commission orders
11 that establish spacing and the vertical limits of those two
12 pools.

13 MR. STOGNER: Do you need this
14 back, Mr. Kellahin?

15 MR. KELLAHIN: No, sir, those
16 are yours.

17 MR. STOGNER: Okay. Mr. Kella-
18 hin, I will take administrative notice of all the orders
19 forming and extending the Gavilan-Greenhorn-Graneros-Dakota
20 Pool and the Gavilan Mancos Pool, both in Rio Arriba County,
21 New Mexico.

22 Q Would you now identify for me, Mr. Ellis,
23 Exhibit Number Twelve?

24 A Exhibit Number Twelve is a map showing
25 the proposed location in the northwest northeast of Section

1 12, and the surrounding wells in the immediate area.

2 I've annotated on the map some IP's from
3 recent wells that have been drilled adjacent to the McHugh
4 Well, and also some monthly production figures that we have
5 on those very same wells.

6 Q All right. I'm interested whether or not
7 you have formed an expert opinion as a geologist with re-
8 gards to the risk that you would recommend the Examiner
9 adopt and utilize in the pooling application.

10 For purposes of my question, Mr. Ellis,
11 let me explain to you what the risk factor in the order will
12 mean.

13 It will allow the operator to recover out
14 of production 100 percent of Mr. Blair's costs of the well,
15 plus an additional factor up to a statutory maximum of 200
16 percent.

17 Within that range of zero to 200 percent
18 penalty factor, Mr. Ellis, do you have an opinion as a geo-
19 logist as to what percentage factor you would assign to this
20 well?

21 A After reviewing the location and it's
22 proximity to the surrounding well control and production
23 data, we feel that this location would qualify for a 200
24 percent penalty (not clearly understood) penalty.

25 Q When we look at the east half of Section

1 12 and Mr. McHugh's proposed location, are you aware of any
2 other wells that have been the subject of Commission pooling
3 orders against Mountain States Natural Gas Corporation?

4 A The most recent one that I'm aware of
5 would be this Reading & Bates forced pooling order entered
6 the 18th day of December, 1985.

7 Q Using Exhibit Number Twelve, Mr. Ellis,
8 could you identify for us where the Reading & Bates forced
9 pooling case was?

10 A Yes, that -- that case is -- was the east
11 half of Section 15 in Township 25 North, 2 West, so approxi-
12 mately 2-1/2 miles southwest of our proposed drillsite pro-
13 ration unit.

14 MR. KELLAHIN: If the Examiner
15 please, we would request that you take administrative notice
16 of Case 8766 and Order R-8103. I have available for your
17 reference a copy of the order, a copy of the transcript, and
18 the exhibits that were used in that case. The applicant was
19 Reading & Bates. The party to be pooled is the same party
20 that we are seeking to pool in this case.

21 MR. STOGNER: What was the R
22 number, the R order number and the case number again?

23 MR. KELLAHIN: 8103 and the
24 case is 8766.

25 MR. STOGNER: I'll take admin-

1 istrative notice of proceedings on Case Number 8766 and I'm
2 going to give those back to you, Mr. Kellahin.

3 Q Within the immediate area, Mr. Ellis,
4 you've indicated a risk of 200 percent. Can you further
5 elaborate on your reasons why you think the 200 percent num-
6 ber is justified?

7 A The compilation of data you see on this
8 map, Exhibit Number Twelve, I'll attempt to explain that
9 now.

10 If you'll notice to the north of our pro-
11 posed location in Section 1 and 2 we have some initial
12 potential data on the Mallon wells. We also have some pro-
13 duction figures from August of '85. Both of these wells, we
14 feel to be what I would call a good Gallup producing well.

15 If you'll look to the north of that ap-
16 proximately one mile in Section 25 of 26 North, 2 West,
17 there's a Dugan well for which I have June, 1985 production
18 figures. That well was -- it has quite a bit less produc-
19 tive capacity, as evidenced by its producing rate in June of
20 1985, than the Mallon wells.

21 We feel that the -- based on our exper-
22 ience drilling in Township 25 North, 2 West, and also this
23 empirical data we show on this map, that direct offsets, or
24 what we would call a direct offset, a 320-acre offset to
25 wells can prove to be marginal as much as a good well.

1 So it -- there's a fair amount of risk
2 that we would impart to a venture like this because of data
3 like this.

4 Q Were Exhibits Ten, Eleven, and Twelve
5 compiled by you or prepared under your direction and super-
6 vision?

7 A Yes, they were.

8 MR. KELLAHIN: I believe I neg-
9 lected to identify the initial plat in the case as Exhibit
10 Number One. It in fact is Exhibit Number One.

11 At this time, Mr. Stogner, we
12 would move the introduction of Exhibits One through Twelve.

13 MR. STOGNER: Exhibits One
14 through Twelve will be admitted into evidence at this time.

15 MR KELLAHIN: That concludes my
16 examination of Mr. Ellis.

17

18

CROSS EXAMINATION

19

BY MR. STOGNER:

20

21 Q Mr. Ellis, on Exhibit Number Twelve you
22 have a little dotted line that says Continental. What is
23 that representing here?

23

24 A That particular line is the traverse of the
25 Continental Divide through the area.

25

It's a geographic and topographic fea-

1 ture.

2 Q There's a well designated down in the
3 southeast quarter of Section 12. Would you explain a little
4 more detail in that particular well?

5 A Southeast quarter of Section 12, that
6 particular well is a Pictured Cliffs penetration and does
7 not penetrate either of the pools that we're referencing
8 here today.

9 Q Thank you, Mr. Ellis. I have no further
10 questions of this witness.

11 Are there any other questions
12 of Mr. Ellis?

13 MR. KELLAHIN: No, sir.

14 MR. STOGNER: If not, he may be
15 excused.

16 Mr. Kellahin, is there anything
17 further in this case?

18 MR. KELLAHIN: Nothing else.

19 MR. STOGNER: Does anybody else
20 have anything further in Case Number 8788?

21 If not, this case will be taken
22 under advisement.

23

24

(Hearing concluded.)

25

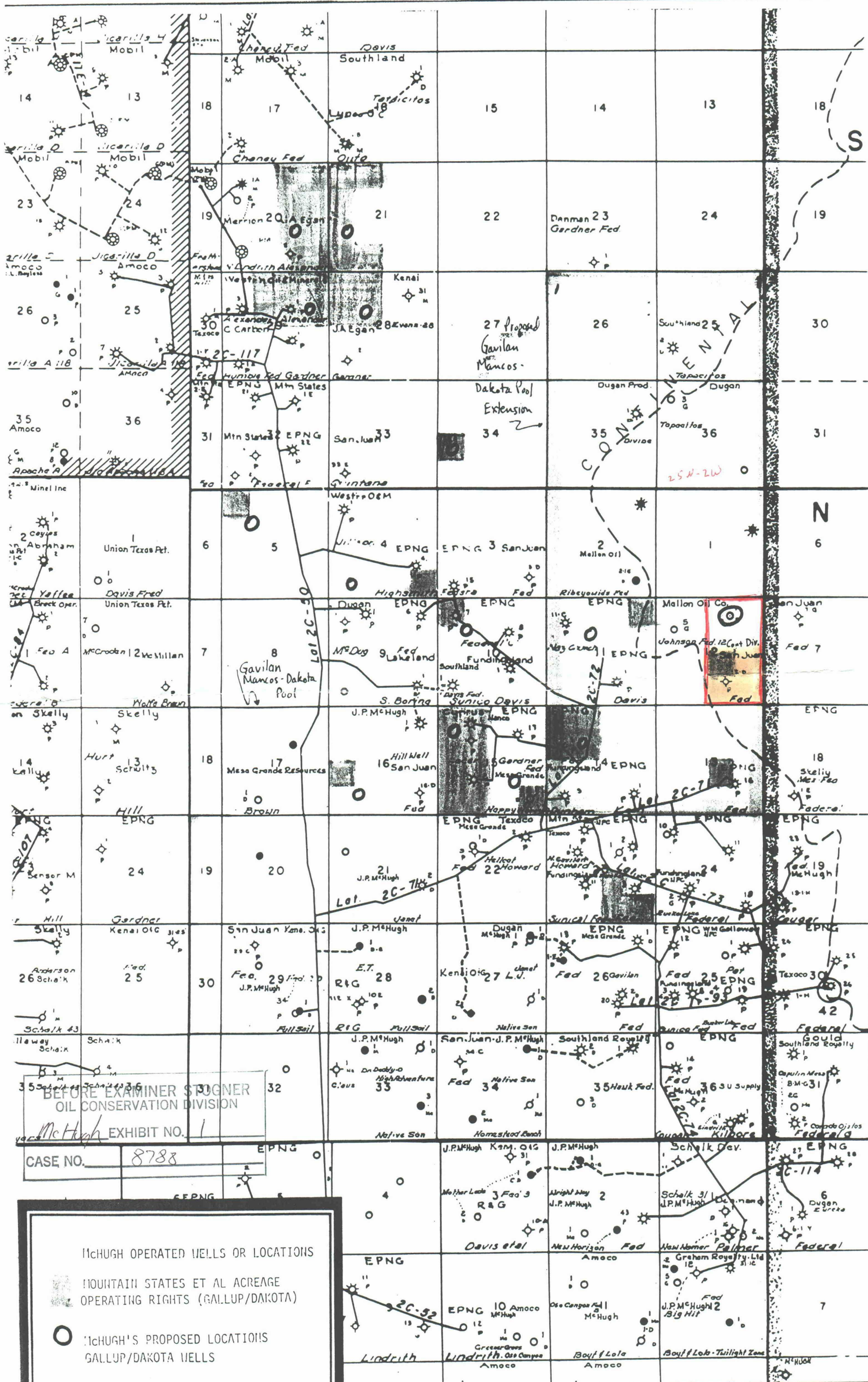
C E R T I F I C A T E

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. 8788 heard by me on 22 January 19 86.

Michael E. Stegman, Examiner
Oil Conservation Division



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION

McHugh EXHIBIT NO. 1

CASE NO. 8788

McHUGH OPERATED WELLS OR LOCATIONS

MOUNTAIN STATES ET AL ACREAGE OPERATING RIGHTS (GALLUP/DAKOTA)

McHUGH'S PROPOSED LOCATIONS

GALLUP/DAKOTA WELLS