

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

Case No. 14797

APPLICATION OF NADEL AND GUSSMAN HEYCO LLC, FOR POOL  
CREATION, A DISCOVERY ALLOWABLE, AND SPECIAL POOL RULES, LEA  
AND EDDY COUNTIES, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: TERRY WARNELL, Technical Examiner  
DAVID K. BROOKS, Legal Examiner

February 16, 2012

Santa Fe, New Mexico

This matter came on for hearing before the New  
Mexico Oil Conservation Division, TERRY WARNELL, Technical  
Examiner, and DAVID K. BROOKS, Legal Examiner, on February  
16, 2012, at the New Mexico Energy, Minerals and Natural  
Resources Department, 1220 South St. Francis, Drive, Room  
102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253  
Paul Baca Professional Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES BRUCE  
P.O. Box 1056  
Santa Fe, NM 87504

I N D E X

COLBY BOOTH

Direct by Mr. Bruce 03

GORDON YAHNEY

Direct by Mr. Bruce 07

JJ McGLASSEN

Direct by Mr. Bruce 16

EXHIBITS

EXHIBITS 1 THROUGH 3 ADMITTED 06

EXHIBITS 4 THROUGH 9 ADMITTED 14

EXHIBITS 10, 10A, 11 AND 11A ADMITTED 20

1 EXAMINER WARNELL: Go ahead then with our next  
2 case, Case Number 14797, application of Nadel and Gussman  
3 HEYCO LLC, for pool creation and discovery allowable, and  
4 special pool rules, Lea and Eddy Counties, New Mexico. Call  
5 for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
7 representing the applicant. I have three witnesses.

8 EXAMINER WARNELL: Would the witnesses please stand  
9 and be sworn.

10 (Oath administered.)

11 EXAMINER WARNELL: If you three gentleman have a  
12 business card, you might -- if you could give one to the  
13 court reporter, it helps make sure we get everyone's proper  
14 spelling.

15 MR. BOOTH: I'll check, but I don't have one with  
16 me.

17 EXAMINER WARNELL: Not a problem.

18 COLBY BOOTH

19 (Sworn, testified as follows:)

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of  
23 residence?

24 A. Colby Booth, Roswell, New Mexico.

25 Q. Who do you work for and in what capacity?

1 A. I am the landman for Nadel and Gussman HEYCO.

2 Q. And have you previously testified before the  
3 Division?

4 A. Yes, I have.

5 Q. Were your credentials as an expert petroleum landman  
6 accepted as a matter of record?

7 A. Yes, they were.

8 Q. Are you familiar with the land matters involved in  
9 this case?

10 A. Yes, I am.

11 MR. BRUCE: Mr. Examiner, I tender Mr. Booth as an  
12 expert petroleum landman.

13 EXAMINER WARNELL: Mr. Booth is so recognized.

14 Q. Mr. Booth, what is Exhibit 1?

15 A. Exhibit 1 is a land plat that includes part of the  
16 Township 18 South and Range 31 East, and also Township 18  
17 South and Range 32 East.

18 Q. And what does Nadel and Gussman HEYCO seek in this  
19 case?

20 A. Nadel and Gussman HEYCO is seeking an order to  
21 create a new pool for production of oil from the Delaware  
22 formation to be named the Northwest Young Delaware Pool,  
23 comprising of the northwest section of -- the northwest  
24 quarter of Section 7, and 18 South, 32 East, and the  
25 northeast quarter of Section 12 in Township 18 South, Range

31E

1 31.

2 Q. And is that acreage outlined in red on Exhibit 1?

3 A. That is correct.

4 Q. Does Nadel and Gussman HEYCO request any special  
5 rules for this pool?

6 A. Yes, we do. We request the discovery allowable and  
7 special rules including a depth bracket allowable of 300  
8 barrels a day. We also request that the pool rules be made  
9 effective retroactive to the date of the first production  
10 from the well, Discovery Well. 7-25-11

11 Q. And will we be presenting technical witnesses to  
12 testify on those issues?

13 A. Yes, we will.

14 Q. In looking at Exhibit 1, I know there is some orange  
15 dots on there, but are there any producing Delaware Wells  
16 within a mile of the proposed pool?

17 A. No, sir, there is not.

18 Q. Okay. And what are Exhibits 2 and 3? 30-025-39841

19 A. Exhibit 2 is the completion portion of the Discovery  
20 Well, the Bola 7 Federal and the 5 Well. And Exhibit 3 is  
21 the completion report for the second well drilled by Nadel  
22 and Gussman HEYCO in the pool, and that is the Taylor 12  
23 Federal Number 10 Well. 30-05-39468 X

24 Q. And the Bola 7 is in the northwest quarter of  
25 Section 7?

1 A. That is correct, yes.

2 Q. The Taylor Well is in the northeast quarter of  
3 Section 12?

4 A. Yes, sir.

5 Q. And those are the only wells drilled to date in this  
6 pool by Nadel and Gussman HEYCO?

7 A. That is correct.

8 Q. Were Exhibits 1 through 3 prepared by you or  
9 compiled from company business records?

10 A. Yes, they were.

11 Q. In your opinion, is the granting of the application  
12 in the interest of conservation and the prevention of  
13 waste?

14 A. Yes, it is.

15 MR. BRUCE: Mr. Examiner, I tender the admission of  
16 Exhibits 1, 2, and 3.

17 EXAMINER WARNELL: Exhibits 1 through 3 are  
18 admitted.

19 (Exhibits 1 through 3 admitted.)

20 MR. BRUCE: I have no further questions of the  
21 witness.

22 EXAMINER WARNELL: Mr. Brooks?

23 EXAMINER BROOKS: I have no questions.

24 EXAMINER WARNELL: I have no questions. Call your  
25 next witness, please.

1 MR. BRUCE: Mr. Yahney.

2 GORDON YAHNEY

3 (Sworn, testified as follows:)

4 DIRECT EXAMINATION

5 BY MR. BRUCE

6 Q. Will you state your name for the record?

7 A. My name is Gordon Yahney.

8 Q. Could you spell that for the court reporter?

9 A. The last name is spelled Y-a-h-n-e-y.

10 Q. And where do you reside?

11 A. I reside in Roswell, New Mexico.

12 Q. And who do you work for?

13 A. I work for Nadel and Gussman HEYCO.

14 Q. And what is your position?

15 A. I'm a senior geologist.

16 Q. Have you previously testified before the Division?

17 A. Yes, I have.

18 Q. And were your credentials as an expert petroleum  
19 geologist accepted as a matter of record?

20 A. Yes, they were.

21 Q. Are you familiar with the geology involved in this  
22 application?

23 A. Yes, I am.

24 MR. BRUCE: Mr. Examiner, I tender Mr. Yahney as an  
25 expert petroleum geologist.

1 EXAMINER WARNELL: Mr. Yahney is so recognized.

2 Q. Mr. Yahney, could you identify Exhibit 4 for the  
3 Examiner?

4 A. Exhibit 4 is a base map of the oil and gas wells in  
5 the area of the discovery, and the two-mile radius circle on  
6 it, and various field names identified and the Delaware  
7 production identified in the colored circles.

8 Q. Okay. Does it identify some lines and  
9 cross-sections that you will testify about later?

10 A. Yes, it does.

11 Q. One thing on this map is in the -- in the northeast  
12 quarter of Section 7, there is a red circles indicating that  
13 that well was or is a Delaware producer. Does that well  
14 produce from the Delaware?

15 A. The northeast quarter?

16 Q. Of Section 7, yeah, to the east of your Discovery  
17 Well.

18 A. To the east of the Discovery Well --

19 Q. Southeast?

20 A. -- yeah, to the southeast, that well is currently  
21 producing from the Queen.

22 Q. Okay. I just wanted to make sure that there isn't  
23 any Delaware producers within a mile of the proposed pool.  
24 Could you identify Exhibit 5 and discuss the zone that --

25 A. Exhibit 5 is --



Bala 7 Feb #5  
30-025-39841

1 Q. -- the well is producing from?

2 A. -- is a type log. It's a piece of a log from the  
3 Discovery Well. It covers the interval from the -- part of  
4 the, lower part of the Grayburg, down through the San Andres  
5 into the Delaware section, and goes down toward the TD of the  
6 well in the upper part of the Brushy Canyon formation of the  
7 Delaware. The pay section in this well is identified as  
8 being part of the Upper Brushy Canyon.

9 There's a number of -- and the perforations here are  
10 marked on here, on the type log, as well as the treatment.  
11 There is a number of horizons marked on here in the -- and  
12 you will see in the following map, the dis -- the Upper  
13 Brushy Canyon, there is -- one of the horizons is listed as  
14 being the Mapped Horizon, that is not a formational top or  
15 anything. It is a marker within the upper part of the Brushy  
16 Canyon, and it happens to be something that I can map around  
17 in kind of a regional area, and it also kind of indicates --  
18 it's a key to -- to a number of -- of Brushy Canyon fields  
19 that are in this area.

20 When you get a big sand pile deposited out in front  
21 of the northwest shelf in the Delaware, this particular  
22 Mapped Horizon will show us -- will show a structure, and  
23 that structure is the key to the production from those  
24 fields.

25 Q. And this well is -- your Discovery Well is pretty

1 shallow, isn't it, Mr. Yahney?

2 A. Yes. The producing horizon here is a little past  
3 5,000 foot depth, measured from the Kelly Bushing, a little  
4 bit less than 5,000 foot from the ground level.

5 Q. So as a result, the current allowable for the well  
6 is about 80 barrels a day?

7 A. That's correct.

8 Q. Would you move on to your Exhibit 6 and discuss that  
9 for the Examiner?

10 A. Okay. Exhibit 6 is a structure map made on that  
11 Brushy Canyon marker that I have previously told you about.  
12 On it are a number of Delaware fields that are producing from  
13 similar features, that would be a part of the Young North  
14 Delaware Field, the Shugart East Delaware Field and the  
15 Shugart Delaware Field.<sup>1986</sup><sup>1959</sup>

16 <sup>2007</sup>  
The Tamano Delaware Field to the north of the  
17 Discovery Well is producing kind of in a stratigraphic  
18 pinchout as you get to the top of the Delaware where it  
19 pinches out against the shelf. The Discovery Well here in  
20 the -- in the northwest quarter of Section 7 of 18 South 31  
21 was originally recognized on some seismic interpretation.  
22 And here in the last year we've been developing our Bone  
23 Spring acreage in this area. We drilled a Bone Spring well  
24 that -- that had -- had this particular section in it, and it  
25 turned out looking real good, and we twinned it for the

1 Discovery.

2 Q. Let's move on to the cross-sections that you  
3 previously mentioned.

4 A. Exhibit Number 7 is a -- kind of a northwest  
5 southeast trending cross-section. I've built this to display  
6 the producing feature, as well as the updip Delaware  
7 production from the Campbell Field to the north on the left  
8 side of the cross-section. And on the right side of the  
9 cross-section is the closest well that was identified with  
10 Delaware production, the well that's now currently producing  
11 out of the Queen.

12 In terms of the well that's to the southeast there,  
13 the producing horizon has been identified as Delaware. My  
14 correlations say that that particular producing horizon is  
15 probably a Grayburg Sand. When you look at the updip wells  
16 in Section 31 of 1732 and Section 36 of 1731 --

17 Q. The well on the far left in the cross-section --

18 A. That would be the well on the far left part of the  
19 cross-section -- your Delaware section at this point has  
20 pinched or diminished in thickness from hundreds of feet  
21 thick to less than 100 foot thick, and the -- and you're  
22 practically on the top of the shelf for the Lower Guadalupian  
23 Delaware Age Strata.

24 Q. Do you have anything further on this exhibit?

25 A. The -- the producing horizon in the Discovery Well

1     there, I've tried to identify there the pay section with a  
2     kind of a colored 10 percent porosity line, and you can tell  
3     that -- that -- well, the way it's colored here -- excuse  
4     me -- it was a 15 percent porosity line, but we have pay up  
5     above the colored section there in the Discovery Well.  
6     That's the second well from the -- from the right. That  
7     whole section there is, it's 100, 200 feet thick, and it  
8     shows all the way through it. Only part of it at this point  
9     has been perforated, selectively, and stimulated.

10        Q.     Is there a chance that other portions of it will be  
11     completed at some point in the future?

12        A.     That is correct.

13        Q.     Next your second cross-section.

14        A.     Exhibit 8 is a cross-section running from the field  
15     to the south, which is the Shugart East Field, northward  
16     through the Discovery Well. I prepared this cross-section to  
17     show the isolation between Shugart East and our Discovery  
18     Well. In between the Shugart East Field is, in this case, is  
19     on the right side of the -- of the cross-section. And as you  
20     come north, the -- the second well from the right there  
21     listed as the Endurance Resources Taylor Unit Number 17, that  
22     was a well originally drilled by Meridian with a different  
23     name, but that particular well is considerably structurally  
24     low to -- to the Discovery Well, so you're getting structural  
25     isolation between the Shugart East Field and the New

1 Discovery.

2 Back on the left side of the cross-section is Nadel  
3 and Gussman's Peaersall Unit, Peaersall 6 Federal Number 1.  
4 This particular well is Morrow Well drilled a number of years  
5 ago. It shows the same producing horizons again at a lower  
6 structural elevation, leading the mapping to -- to close the  
7 contours and isolate the structural feature.

8 Q. In your opinion, from a geological standpoint, has  
9 Nadel and Gussman HEYCO discovered a new source of supply in  
10 the Delaware?

11 A. Yes, we have.

12 Q. And is it separate from any of the nearby producing  
13 pools?

14 A. That's correct.

15 Q. Finally, what is Exhibit 9?

16 A. Exhibit 9 is our application for discovery allowable  
17 and creation of a new pool. It was prepared in office for  
18 this particular hearing. It describes our initial well  
19 potential at 268 barrels a day, and details the information  
20 needed to create the pool.

21 Q. And will you be presenting an engineer to testify  
22 more about production from the well?

23 A. Yes, we will.

24 Q. Mr. Yahney, were Exhibits 4 through 8 prepared by  
25 you?

1 A. Yes, they were.

2 Q. And was Exhibit -- does Exhibit 9, was it compiled  
3 by Nadel and Gussman for the purposes of this hearing?

4 A. Yes, it was.

5 MR. BRUCE: Mr. Examiner, I move the admission of  
6 Exhibits 8 and 9.

7 EXAMINER WARNELL: So admitted.

8 MR. BRUCE: I mean, excuse me, 4 through 9.

9 EXAMINER WARNELL: Exhibits 4 through 9 are  
10 admitted.

11 (Exhibits 4 through 9 admitted.)

12 Q. And, in your opinion, is this the granting of this  
13 application in the interest of conservation and the  
14 prevention of waste?

15 A. Yes, it is.

16 MR. BRUCE: I have no further questions of this  
17 witness, Mr. Examiner.

18 EXAMINER WARNELL: Thank you. Mr. Brooks?

19 EXAMINER BROOKS: I have no questions.

20 EXAMINER WARNELL: Nice exhibits, but I'm having  
21 trouble with getting them open here. So we won't go back and  
22 revisit those, but I had a question. It looked to me like on  
23 your initial perforation, you picked -- what's your  
24 intentions of completing the rest of that well? Or are you  
25 satisfied with what you've got open right now?

1 THE WITNESS: Well, what we have open right now in  
2 the Discovery Well is a well that's capable of producing  
3 at -- at the allowable that we are asking for.

4 EXAMINER WARNELL: The 300?

5 THE WITNESS: Which is pretty amazing for a little  
6 Delaware Well. And our engineer can talk about this, but our  
7 completion strategy there was to keep it in the top part of  
8 the particular feature here, the sand pile, the structural  
9 feature, and stimulate that particular part of the reservoir  
10 at some point. And quite a ways in the future we will  
11 probably come in and open up additional parts of that  
12 particular package, sand pile package, and see if we can get  
13 additional production from those zones.

14 When you look at East Shugart Field, which is to the  
15 south there about two miles, it is currently under pressure,  
16 water pressure maintenance. And the Delaware there, same  
17 zones, particularly, has produced real well under this  
18 secondary water plug injection, whatever you want to call  
19 that.

20 EXAMINER WARNELL: You ask for date of first  
21 production. When was the date of first production on this  
22 well?

23 THE WITNESS: It was completed there in July, late  
24 July of last year.

25 EXAMINER WARNELL: Okay. No further questions,

1     thank you.

2                                 JJ McGLASSEN

3                                 (Sworn, testified as follows:)

4                                 DIRECT EXAMINATION

5     BY MR. BRUCE:

6             Q.     Would you please state your name and city of  
7     residence for the record?

8             A.     My name is JJ McGlassen, and I reside in Roswell,  
9     New Mexico.

10            Q.     Who do you work for and in what capacity?

11            A.     I work for Nadel and Gussman HEYCO as a production  
12     and completion engineer.

13            Q.     Have you previously testified before the Division?

14            A.     No, sir, I have not.

15            Q.     Could you summarize your educational and employment  
16     background for the Examiner?

17            A.     I graduated in 2000 from New Mexico Tech with a  
18     bachelor's in petroleum engineering. I then went on to work  
19     for B.J. Services as a fracturing engineer. I was with them  
20     for five years.

21                    After leaving B.J., I went on to work with a company  
22     out of Houston named Ely and Associates. I worked with those  
23     gentleman for approximately two years as a fracturing QAQC  
24     consultant. After leaving Ely and Associates, I went on to  
25     work for another small, up-and-coming service company in



1     Artesia, Superior Well Services, for two years, as a -- a  
2     stimulation engineer, technical sales, and have been with  
3     Nadel and Gussman HEYCO now for three years in my current  
4     position.

5           Q.     You mentioned Ely and Associates. They have a  
6     world-wide presence and are one of the leading companies in  
7     fracture stimulation?

8           A.     Yes, sir, they are.

9           Q.     Does your area of responsibility at Nadel and  
10    Gussman HEYCO include this portion of Southeast New Mexico?

11          A.     Yes, it does.

12          Q.     Are you familiar with the drilling and completion of  
13    the two wells we are here for today?

14          A.     Yes, I am.

15                 MR. BRUCE: Mr. Examiner, I tender the witness as an  
16    expert petroleum engineer.

17                 EXAMINER WARNELL: So recognized.

18          Q.     Mr. McGlasson, if you could look at Exhibits 10 and  
19    10A together and discuss them for the Examiner and maybe give  
20    a little background into the well and how it was produced.

21          A.     Okay. Exhibit 10 is a three-phase production plot  
22    representing the oil, water and gas production from the  
23    initial time on, which was approximately July 25 of 2011.

24                 Exhibit 10A is a GOR, gas, oil, ratio plot in MCF  
25    per day based upon a five-day average, depicting that from

1 initial production, we were in the neighborhood of  
2 approximately 3,000 to 1 on a GOR ratio, stabilizing out at  
3 about 1050 within 60 days of production.

4 Q. And the GOR has remained pretty flat over that time  
5 period?

6 A. It has -- it has remained very constant. There are  
7 a few minor glitches starting at approximately day 120  
8 through day 180, and that was due to mechanical surface  
9 issues, loss of electricity, maintenance on tank batteries,  
10 things of that nature.

11 Q. So the well was shut in for several periods of  
12 time?

13 A. Correct.

14 Q. And then what are Exhibits 11 and 11A?

15 A. Exhibits 11 and 11A are the offset second well  
16 drilled in the -- in this new pool. Once again, 11 is a  
17 three-phase production. Starting initial production was  
18 approximately November 18 of 2011. Exhibit 11A, once again,  
19 is a gas oil ratio plot from this particular well here with  
20 a -- representing an initial of about 1000 to 1 GOR and  
21 stabilizing out roughly a little below 1000 to 1 so far  
22 through the well's production.

23 Q. So both wells are pretty consistent right at about  
24 1000 to 1 GOR?

25 A. They -- they are very, very consistent, yes.

1 Q. Looking at the oil production and the gas  
2 production, they have both been -- after the initial  
3 production, they have both been rather flat, have they not?

4 A. They have both stabilized, very surprisingly.

5 Q. Would that indicate to you that a new Delaware  
6 Reservoir has been discovered?

7 A. I would tend to think so due to the fact that the  
8 rapid decline in production that was initially anticipated  
9 never materialized. The production came on very, very  
10 robust, but yet stabilized out to a very steady rate for --  
11 in Exhibit 10 there, you know, for approximately six months  
12 with little to no decline at all.

13 Q. And is it common in Delaware reservoirs for -- if  
14 you get a good well, to come out at several hundred barrels a  
15 day and rapidly decline to less than 100 or substantially  
16 less than 100?

17 A. Yes, sir. That's my experience.

18 Q. If the allowable is granted, do you see any chance  
19 of any damage to the reservoir and producing at the higher  
20 rate at 300 barrels a day?

21 A. I do not, and the reason I do not is because our  
22 GORs are so low at these production rates, I do not feel that  
23 we are drawing the reservoir down in such a fashion that  
24 would possibly damage them.

25 Q. And you don't think it will cause any reduced

1 overall recovery from the pool?

2 A. I do not, sir.

3 Q. Were Exhibits 10 and 10A, 11 and 11A prepared by  
4 you?

5 A. Yes, they were.

6 Q. And, in your opinion, is the granting of this  
7 application in the interest of conservation and prevention of  
8 waste?

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I move the admission of  
11 Exhibits 10, 10A, 11 and 11A.

12 EXAMINER WARNELL: Exhibits 10, 10A, 11 and 11A are  
13 admitted.

14 (Exhibits 10, 10A, 11 and 11A admitted.)

15 MR. BRUCE: And I have no further questions of the  
16 witness.

17 EXAMINER WARNELL: Okay. Mr. Brooks, any questions?

18 EXAMINER BROOKS: No questions.

19 EXAMINER WARNELL: On the GOR 10A --

20 THE WITNESS: Yes, sir.

21 EXAMINER WARNELL: -- where do you see that  
22 stabilizing?

23 THE WITNESS: Well, it had really stabilized out  
24 from approximately day 55 through day 121.

25 EXAMINER WARNELL: Uh-huh.

1 THE WITNESS: And in my reference, that's the  
2 section I had referred to as very stabilized out GOR. Post  
3 day 121, due to surface conditions and weather, the well had  
4 to be shut in rather frequently, and this particular well has  
5 a good afterflow that would affect the GOR, and that is the  
6 reasoning behind such a sporadic increase and decrease in  
7 GORs and then stoppage.

8 EXAMINER WARNELL: When I look out there to the far  
9 right at the very end from Day 185 to your last reading,  
10 does -- it looks to me like it might be decreasing.

11 THE WITNESS: It is, but there is a mechanical  
12 reason to that. Once it was determined that this well was  
13 not going to decline like <sup>NOT</sup> a typical Bone Spring, it was  
14 recommended that we curtail production to current allowable.  
15 In doing so, what I have --

16 EXAMINER WARNELL: That was a good recommendation,  
17 by the way.

18 THE WITNESS: I instructed my field personnel to --  
19 to pump the well only a fraction of a day to try to limit the  
20 oil production to 80 barrels a day. In doing that, this  
21 particular well also has, prior to being shut in, it would  
22 flump. I don't know if you are familiar with that term, it  
23 would partially flow, partially pump, and, as such --

24 EXAMINER WARNELL: What did you call that term?

25 THE WITNESS: Flump, f-l-u-m-p, flump.

1 EXAMINER WARNELL: Never heard that one. I've heard  
2 of fracking wells, but not flumping wells.

3 THE WITNESS: And as such, our gas production has --  
4 would maintain a higher rate due to the fact that we are  
5 producing 24 hours a day. The way we have been producing  
6 since we curtailed production is we shut it off and produce  
7 one time a day for eight hours. In that time it takes  
8 approximately three to four hours to relieve enough pressure  
9 off the annulus or the casing portion to begin gas  
10 production. So we are getting 80 barrels of oil production,  
11 but we're not -- we're not relieving the gas pressure  
12 adequately to get eight hours worth of gas production, and so  
13 that's why the GOR is less, as you did note, once we  
14 curtailed the production.

15 EXAMINER WARNELL: Okay. Up there where you had  
16 your surface problems, you say you lost electricity and was  
17 it cold-weather related?

18 THE WITNESS: Yes. We lost electricity a couple of  
19 times and we had the big snow right around Christmas, and we  
20 had to shut the wells in because the oil transporters were  
21 not -- they were not driving on those days. And then once --  
22 once the roads did clear enough that the transporters did get  
23 back on the road, we did have to shut it off a couple of more  
24 times because due to the fact of the transporters running so  
25 far behind schedule that our tanks were full, and so we had

1 to shut the well off.

2 EXAMINER WARNELL: Once those tanks are full, I  
3 mean, they automatically shut things down?

4 THE WITNESS: Sometimes they do. I do not have  
5 automatic shutdowns on these, so we had to -- we had to watch  
6 them via person very closely.

7 EXAMINER WARNELL: I'm curious what you have -- if  
8 anything, what do you have on the well for cold weather, for  
9 severe cold weather to keep it from freezing up at least  
10 during --

11 THE WITNESS: Down in that particular area, about  
12 the only cold weather treatments that we really have to do is  
13 we do have to light a fire in the heater treater to help  
14 separate out the oil and water from the liquid phase portion  
15 of it. Typically that's really all we have to do. Even  
16 through the extreme bitter cold that we experienced last  
17 February, luckily I did not hardly have anything freeze up or  
18 become inoperable.

19 EXAMINER WARNELL: Well, thank you for that  
20 information. I was curious, I was on the task force the  
21 other day over at the Roundhouse, and that's exactly what  
22 they were addressing was last February's freeze and all the  
23 problems.

24 THE WITNESS: Yes, sir.

25 EXAMINER WARNELL: Thank you. No further questions.

1 MR. BRUCE: I have nothing further in this matter,  
2 Mr. Examiner.

3 EXAMINER WARNELL: Thank you, Mr. Bruce. With that  
4 then, Case Number 1479<sup>4</sup> will be taken under advisement.

5 With that, let's take a 15-minute break and we will  
6 back be at 9:30 by that clock, hopefully.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_

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



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. 14797

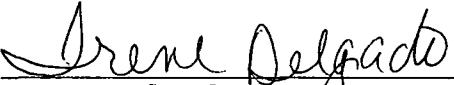
APPLICATION OF NADEL AND GUSSMAN HEYCO LLC, FOR POOL  
CREATION, A DISCOVERY ALLOWABLE, AND SPECIAL POOL RULES, LEA  
AND EDDY COUNTIES, NEW MEXICO.

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY  
CERTIFY THAT ON February 16, 2012, proceedings in the  
above-captioned case were taken before me and that I did  
report in stenographic shorthand the proceedings set forth  
herein, and the foregoing pages are a true and correct  
transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor  
related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest whatsoever  
in the final disposition of this case in any court.

WITNESS MY HAND this \_\_\_\_\_ day of February  
2012.

  
Irene Delgado, CCR 253  
Expires: 12-31-2012