

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

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

Oil Conservation Division

CASE NO. 13,176

APPLICATION OF EAGLE RESOURCES, L.P.,)
FOR COMPULSORY POOLING AND AN UNORTHODOX)
GAS WELL LOCATION, ROOSEVELT COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 23rd, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 23rd, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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October 23rd, 2003
 Examiner Hearing
 CASE NO. 13,176

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:55 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 13,176. This is the Application of Eagle Resources, L.P.,
5 for compulsory pooling and an unorthodox gas well location
6 in Roosevelt County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the Examiner, my
9 name is Michael Feldewert with the Santa Fe office of
10 Holland and Hart, appearing on behalf of Eagle Resources,
11 L.L.P., and I have two witnesses here today.

12 EXAMINER STOGNER: Any other appearances in this
13 matter?

14 Will the witnesses please stand to be sworn at
15 this time?

16 (Thereupon, the witnesses were sworn.)

17 EXAMINER STOGNER: Mr. Feldewert?

18 RANDOLPH M. RICHARDSON,
19 the witness herein, after having been first duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. FELDEWERT:

23 Q. Mr. Richardson, could you please state your full
24 name for the record?

25 A. Randolph M. Richardson.

1 Q. Where do you reside, sir?

2 A. I live at Number 11, Vista Parkway Circle,
3 Roswell, New Mexico.

4 Q. And are you an independent landman?

5 A. Yes.

6 Q. And were you hired by Eagle Resources, the
7 Applicant in this case, to conduct title work?

8 A. Right, yes.

9 Q. Have you previously testified before this
10 Division as a petroleum landman?

11 A. It has been years and years.

12 Q. Do you have a -- Well, let me briefly, then, go
13 through your credentials. Do you have a law degree?

14 A. Yes.

15 Q. Are you a member of any professional landman
16 organizations?

17 A. Permian Basin and East New Mexico Landman
18 Association.

19 Q. And how long have you been working as a landman
20 in the Permian Basin of New Mexico?

21 A. Roughly 50 years.

22 Q. Are you familiar with the Application that's been
23 filed in this case?

24 A. Yes.

25 Q. And are you familiar with the status of the lands

1 in the subject area?

2 A. Yes.

3 MR. FELDEWERT: Mr. Examiner, I would -- to the
4 extent Mr. Richardson has not already been qualified, I
5 would tender him as an expert witness in petroleum land
6 matters.

7 EXAMINER STOGNER: How many other witnesses do
8 you have?

9 MR. FELDEWERT: One other.

10 EXAMINER STOGNER: And what's his specialty?

11 MR. FELDEWERT: He is a practical oilman.

12 EXAMINER STOGNER: Okay. The reason I'm asking,
13 just bear with me here today because, just for the record,
14 we've also changed our compulsory pooling rules that at
15 this time we're taking testimony on the land issues, and as
16 far as technical issues, as far as geology and engineering,
17 that is not required at this time. But also you're asking
18 for an unorthodox location, so --

19 MR. FELDEWERT: Correct.

20 EXAMINER STOGNER: -- kind of bear with me if I
21 veer off a little bit, or whatever the case may be, but
22 kind of remind me of that every once in a while, if you
23 would, Mr. Feldewert.

24 MR. FELDEWERT: I certainly --

25 EXAMINER STOGNER: And Mr. Richardson, you're so

1 qualified. Thank you, sir.

2 THE WITNESS: Thank you.

3 Q. (By Mr. Feldewert) All right, Mr. Richardson,
4 would you briefly state what Eagle Resources seeks with
5 this Application?

6 A. We seek to pool the north half of Section 34 for
7 all formations or pools developed on a 320-acre spacing,
8 which includes but is not limited to the Undesignated Tule-
9 Pennsylvanian Gas Pool and Undesignated Tule-Montoya Pool,
10 the northeast quarter for the formations and pools
11 developed on 160-acre spacing, the north half of the
12 northeast for all formations and/or pools developed on 80-
13 acre spacing, and the northwest of the northeast, Section
14 34, for all formations and pools developed on 40-acre
15 spacing.

16 The pooling units are to be dedicated to the Cook
17 Number 1 well, located at an unorthodox gas location 330
18 from the north line, 1980 feet from the east line of
19 Section 34 and drilled, or re-entered, to a depth
20 sufficient to test all formations from the surface to the
21 base of the Ordovician.

22 Q. So is this an existing wellbore?

23 A. Yes, this is an existing wellbore that was
24 drilled in 1988.

25 Q. And in terms of gas formation, it encroaches to

1 the north by 330 feet; is that --

2 A. 330 feet from the north section line of Section
3 34.

4 Q. All right, let's get oriented. Can you turn to
5 Eagle Resources Exhibit Number 1, identify that and review
6 that for the Examiner, please?

7 A. Exhibit Number 1 is a plat of the Tule field, an
8 area which shows in yellow the existing 320-acre pooled
9 units, and the little circle is existing wells. The right-
10 hand legend is yellow with a red inner line, and that shows
11 the offset operators to the north that the Cook well would
12 be encroaching on. And then by a triangle it shows the
13 Cook well, located in the north half of Section 34. And
14 the blue line is the proposed 320-acre pooled unit for re-
15 entry of the Cook well.

16 Q. Okay. Now, what's the status of the acreage in
17 this area? Is this fee land?

18 A. This is all fee land, 100 percent.

19 Q. And the number of interest owners?

20 A. Fifty-five.

21 Q. Okay. Now, you mentioned the fact that this is
22 an existing well. Has this been the subject of a previous
23 Division order?

24 A. Yes, it has.

25 Q. And I've marked as Eagle Exhibit Number 2 Order

1 Number R-8618, which was entered by the Division on the
2 28th day of March, 1988. Is this the order that was
3 entered by Examiner Catanach and pooled this acreage and
4 approved the unorthodox well location?

5 A. Yes, it was.

6 Q. And was that for purposes of a Pennsylvanian and
7 Ordov- -- How do you say that?

8 A. Pennsylvanian or Ordovician?

9 Q. Ordovician, thank you --

10 A. Ordovician, yes.

11 Q. -- test, okay. And does your Application today
12 basically seek to pool the same acreage and approve the
13 same unorthodox well location for a re-entry effort?

14 A. Exactly.

15 Q. All right. Why don't you talk about the number
16 of interest owners? Why don't you turn to Eagle Exhibit
17 Number 3? Is that an ownership breakdown of the north half
18 of Section 34, which is shown in blue on Exhibit Number 1?

19 A. There it is. Exhibit 3 is an ownership breakdown
20 of mineral interests. There's a line through the middle of
21 the page. All of the interests above that line have
22 granted oil and gas leases, and all the oil and gas leases
23 that have been granted contain a pooling provision allowing
24 for voluntary pooling under the lease terms by the mineral
25 owners.

1 The -- several estates that -- Oh, it took quite
2 a while to check with county records to come up with the
3 ownership, and the last recorded addresses for most of
4 these people is in 1992. And after I started working on
5 it, it soon became apparent that a great many of them had
6 died since 1992. So I started from scratch trying to
7 locate the heirs, and the main bunch of them were out of
8 one estate that a fellow had an eighth interest, and he
9 divided it among his brothers and sisters and his wife's
10 brothers and sisters, and there were 18 heirs out of that
11 one estate with a one-eighth mineral interest.

12 And since I first started working, actually in
13 May, and started telephoning, writing letters,
14 corresponding with heirs and probable heirs, and I think I
15 have most of them pinned down. And most of the heirs have
16 very, very minor -- very, very minor interest. Many of
17 them are less than an acre.

18 Q. Now, you mentioned the line. In terms of the
19 Application today, are the interest owners who are
20 presently subject to pooling, are those the interest owners
21 that are below the line on Exhibit Number 3?

22 A. The one below the lines are subject to the
23 pooling order, yes.

24 Q. Okay.

25 A. Pooling today.

1 Q. All right. Now, is Exhibit Number 4, Eagle
2 Exhibit Number 4, is that our affidavit with attached
3 letters giving notice of this hearing?

4 A. Yes.

5 Q. And in terms of providing notice, did you provide
6 notice to the interest owners that are below the line on
7 Exhibit Number 3?

8 A. Yes.

9 Q. Okay. And then did you provide notice to the
10 entities that are described on Exhibit Number 1, in your
11 box on the offsetting tract to the north?

12 A. Right, yes.

13 Q. Okay, the only exception there would be Yates?

14 A. Yates.

15 Q. Okay, and we'll deal with that in just a minute.

16 Now, in looking through this Exhibit Number 4,
17 there are some of the parties that did not return their
18 receipt; is that correct?

19 A. Right.

20 Q. Okay. Now, I want to talk about them briefly.
21 The first one I come across is Eva Edwards, which is on the
22 second page of the list of green cards, I'll call them, the
23 return receipts. Now, can you identify for us the efforts
24 you undertook to locate Ms. Edwards?

25 A. Through telephone calls, Eva died in Modesto,

1 California, and one of the heirs, or one of her relatives,
2 gave me this David McCay's telephone number and address,
3 and I wrote David a letter at this address, and he returned
4 pretty quick, says that he was the wrong McCay, but to try
5 another one. So I tried the other one and it turned out to
6 be the correct one. So I do have that, the correct David
7 McCay, yes.

8 Q. Okay, and in terms of this interest, if we look
9 at Exhibit Number 3, does that interest involve the McCays
10 that we see in the middle, David McCay, Richard McCay and
11 Paul McCay --

12 A. Paul McCay --

13 Q. -- at the bottom of Exhibit Number 3?

14 A. Correct, uh-huh.

15 Q. Okay, those would be the probable heirs of Eva
16 Edwards?

17 A. A brother and two sons of the deceased brother.

18 Q. Okay. Now, the other one that didn't get
19 returned yet is two pages over, a Glenn F. Leet, Jr.

20 A. That is one that I have not found. He lived in
21 western Connecticut, and I have tried about three times to
22 call either his mother or his aunt, which is right above
23 him, Frederika. She also lived in Sandy Hook, or
24 Connecticut. And she has not answered her telephone and
25 she will not return a message I leave on her answering

1 machine. But she is apparently still there, yes.

2 Q. Is this the most recent address that you've been
3 able to locate for Glenn F. Leet?

4 A. Yes.

5 Q. Okay. Now, the other one I come across as I flip
6 through here, in which the green receipt was returned, was
7 on the fourth from last page, it's a Frances Watson.

8 A. Frances Watson died in Warden, Washington, and
9 I've checked around and did talk to her husband, I think
10 twice. That is Rodney Watson, was her husband. And he
11 said he had a bunch of kids and grandkids, and he's quite
12 elderly. And I finally broke down and called the funeral
13 home to determine who the kids were and thought I'd contact
14 them. And sure enough I have sent Mr. Watson, I'd say, two
15 different letters. I got one letter back from him which is
16 attached in one of the exhibits, and he frankly said, well,
17 he didn't want to fool with it, is about what it amounts
18 to.

19 Q. Okay. Now, in Exhibit Number 3 there are five
20 Watsons listed as the probable --

21 A. Those are the probable heirs.

22 Q. Okay, and that's the information you got from the
23 funeral home?

24 A. Right.

25 Q. All right. And all of these interest owners,

1 with the exception of Texaco and Progressive and maybe Bevo
2 Webb have a relatively small interest; is that correct?

3 A. Right.

4 Q. All right.

5 A. Some of them a hundredth of an acre.

6 Q. Now -- And you mentioned the fact that you've
7 made telephone calls, you've sent out letters trying to
8 locate these interest owners?

9 A. Right.

10 Q. And to your knowledge, are the addresses that
11 were used in Exhibit Number 4, are they the most recent
12 addresses that you've been able to find in your months of
13 searching?

14 A. Most recent and probably 99.99-percent correct.

15 Q. Okay. Now, we mentioned earlier Yates Petroleum
16 and I want to address that real quick. Did you find out,
17 subsequent to filing this Application and sending out the
18 notice letters that Yates Petroleum owned an interest in
19 the offsetting property to the north?

20 A. Yes.

21 Q. Okay. Was this Application then discussed with
22 Yates Petroleum?

23 A. Yes.

24 Q. And is Exhibit Number 5 a letter from Yates
25 Petroleum waiving objection to this Application and the

1 unorthodox well location?

2 A. Correct, yes.

3 Q. All right. Now, I want to now turn to your
4 efforts to reach an agreement with the interest owners that
5 are the subject of this pooling Application. Would you
6 turn to Eagle Exhibit Number 6, which is a fairly lengthy
7 exhibit, correct?

8 A. Right.

9 Q. All right. And does this contain your
10 documentation of the letters and telephone records on your
11 efforts to both reach a voluntary agreement and contact
12 these interest owners?

13 A. Correct.

14 Q. There's an index on the first three pages of this
15 exhibit; is that correct?

16 A. Correct.

17 Q. And it corresponds with numbers on the subsequent
18 pages?

19 A. On the bottom of the pages, yes.

20 Q. Okay. Did -- I notice that the first letter is a
21 letter to a group of small interest owners.

22 A. Those were beneficiaries from the Ruth C. Hatch
23 Trust, and that came through, actually, a Carl Hatch who
24 was, what I understand, a former senator or -- I don't know
25 what he was. But somehow they were politicians several

1 years ago. He died and it went to Ruth, and then Ruth gave
2 it to the bank, and the bank gave it to those eight people.

3 Q. Okay, and this letter is back in August, right?

4 A. August 19th, yes.

5 Q. And it indicates your desire to re-enter the Cook
6 Well Number 1?

7 A. Right.

8 Q. Or, I'm sorry, Eagle Resources' desire to re-
9 enter the Cook Well Number 1, and offers to purchase or
10 lease their interest; is that right?

11 A. Right.

12 Q. Okay. Now, I want to focus -- Looking at this
13 list, I notice that Texaco Exploration has a relatively
14 large interest that has not been pooled. Do you have
15 correspondence with Texaco in this package?

16 A. I did write Texaco early September, September the
17 11th, and explained what we were trying to do.

18 Q. Okay, let me stop you there. Is that what's been
19 marked as -- with a 2 at the bottom?

20 A. Number 2 at the bottom, yes.

21 Q. Okay, I'm sorry, I interrupted you.

22 A. Well, it mentioned the effective date that Eagle
23 bought it, bought the property, and I made them an offer
24 for just an oil and gas lease since they were just strictly
25 unleased mineral owner, and mentioned that the OCD hearing

1 would be sometime in the middle of October, and an exact
2 date had not been set at that time.

3 And then I had a return letter from Chevron,
4 which is marked 2A down at the bottom, and it says they
5 will give us a one-year lease, just give us a lease, with a
6 quarter royalty, with no bonus consideration, or they would
7 sell all their mineral interest, unleased acreage in
8 Roosevelt County, for \$4500, which, considering the going
9 price in the area, is way the hell too high. Anyhow, we
10 did nothing further with Texaco. They did get a notice by
11 registered mail of the hearing.

12 Q. Okay, so you haven't been able to reach an
13 agreement with them?

14 A. No, we have not reached an agreement with them.

15 Q. They're too high. All right. Now, the other
16 relatively large interest owner is Progressive. Did you
17 have correspondence with them?

18 A. I wrote Progressive, which is identified Number
19 3, on September the 10th and explained that, made an offer
20 for an oil and gas lease. And I talked to the fellow with
21 Progressive four or five days ago, and he said he really
22 didn't know what was going and didn't really particularly
23 seem to care and didn't say he was going to do a darn
24 thing.

25 Q. Okay. Did they receive notice of the hearing?

1 A. Yes.

2 Q. Okay. Now, the only other interest owner on here
3 that has any, you know, relatively significant interest is
4 B.W. "Bevo" Webb.

5 A. Mr. Webb was confined so I wrote him a letter at
6 his address, which was correct, and his wife called several
7 days later and said he was confined to a nursing home with
8 Alzheimer's and that he could not possibly sign anything,
9 but she had a power of attorney but she didn't have a copy
10 and she would have to refer me to her lawyer, who did have
11 a copy. So I tried to get hold of the lawyer, and he was
12 also in the process of retiring and closing his office, and
13 he never did reply or never did call back after two or
14 three telephone calls and the letter.

15 And about three weeks or a month ago I did call
16 back and start trying to contact Ms. Webb again. And sure
17 enough, after I guess three or four calls someone answered
18 the phone and they said, oh, they were sorry but Ms. Webb
19 had also died in the meantime and he was over cleaning out
20 her house. And he was a nephew, and he now had a power of
21 attorney for Bevo.

22 So I wrote him a long letter trying to explain
23 what was going on. And there again, I have heard nothing
24 from him, but I do know his name and address.

25 Q. There's a Wayne Webb shown on the return receipt

1 for the --

2 A. That's Wayne.

3 Q. Is that the person you talked to?

4 A. That's Bevo's nephew, yes.

5 Q. All right, so he received notice of this hearing;
6 is that correct?

7 A. Yes.

8 Q. All right. In your opinion, Mr. Richardson, have
9 you made a good-faith effort to locate and obtain voluntary
10 joinder of all the interest owners shown on Eagle Exhibit
11 Number 6?

12 A. Yes.

13 Q. Were Eagle Exhibits 1 through 6 prepared by you
14 or compiled under your direction and supervision?

15 A. Yes.

16 MR. FELDEWERT: Okay. Mr. Examiner, at this time
17 I would move the admission into evidence of Eagle Exhibits
18 1 through 6.

19 EXAMINER STOGNER: Exhibits 1 through 6 will be
20 admitted into evidence.

21 MR. FELDEWERT: And that concludes my examination
22 of this witness.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. Richardson, referring to the list of mineral

1 interest owners in Exhibit Number 3, do those represent
2 divided or undivided throughout that whole Section 34?

3 A. These are just the ones that have the undivided
4 mineral interest in the north half. Some of those people
5 own under the entire section, and some of them are under
6 just the east half.

7 Q. Now, today's Application is also for production
8 that was on 160- or 80- or 40-acre spacing, so depending
9 upon the production and the size of the spacing unit
10 dedicated, this list could change somewhat to represent the
11 mineral interest owners underneath those different parcels;
12 is that correct?

13 A. Basically not. All of the cut-up, real small
14 estate interests are under the east half, and the people
15 that own the entire section are also under the east half,
16 which -- the northeast quarter would be the same ownership
17 in effect, yes.

18 In other words, you couldn't cut -- by using that
19 existing wellbore on the northeast quarter, you would not
20 lose any of these mineral owners.

21 Q. Okay. So who primarily -- As far as the west-
22 half ownership, how many mineral interests are over in the
23 west half alone?

24 A. Gosh, I haven't counted.

25 Q. I mean, I take it they would be a small group

1 over on the west side, since you said most of them -- most
2 of this list represents the east side?

3 A. I can't pin down the number.

4 Q. No, I was just asking more general.

5 A. The greatest ownership, yes, is in the west half.
6 In other words, the larger percentage of mineral owners.

7 Q. That won't be necessary to cut that out or cut it
8 up.

9 Okay, let's see, you also provided me a copy of
10 an old -- here it is -- order. In looking at the record in
11 Cases 9309 and 9321 on the compulsory pooling portions of
12 it --

13 A. Right.

14 Q. -- were most of these parties listed in that
15 particular compulsory pooling order, or they had a similar
16 problem --

17 A. The ones --

18 Q. -- trying to track down people at that time?

19 A. -- listed in the -- I'd say in the 1988 order,
20 God, I don't know how many of them are dead now, but quite
21 a few, even some of the ones that -- Well, there are
22 several that are still alive, but they're all, I'd say,
23 getting really elderly.

24 EXAMINER STOGNER: Mr. Feldewert, is your next
25 witness going to give me a little information on the actual

1 wellbore itself, how deep it is?

2 MR. FELDEWERT: Yes, sir.

3 EXAMINER STOGNER: Okay. With that, are there
4 any other questions of Mr. Richardson?

5 EXAMINATION

6 BY MS. MacQUESTEN:

7 Q. Mr. Richardson, I'm not sure I heard -- Did you
8 discuss your attempts to contact Carla Hardy? I didn't
9 see --

10 A. Carla Hardy is one of the Hatch people, down in
11 Houston, and I have tried, I guess, three or four times to
12 call her. And they do give me -- AT&T information does
13 give me a telephone number for a Hardy at that address, but
14 she has not answered her telephone. And I don't know what
15 the deal is with her.

16 And some of these people I've kind of reached the
17 -- I'd say economic, some of those people with less than a
18 quarter acre of the minerals, for instance. I've made
19 several telephone calls and kind of let it rest, trying to
20 go to the bigger interests, actually. You could spend
21 \$100,000 trying to run up these people, which -- At a
22 certain point I think the economics come into a deal like
23 this.

24 MS. MacQUESTEN: Thank you.

25 EXAMINER STOGNER: Any other questions of Mr.

1 Richardson?

2 MR. FELDEWERT: No, Mr. Examiner.

3 EXAMINER STOGNER: You may be excused, sir.

4 Thank you very much.

5 THE WITNESS: Thank you.

6 EXAMINER STOGNER: Mr. Feldewert?

7 MR. FELDEWERT: Call our next witness.

8 TIMOTHY D. COLLIER,

9 the witness herein, after having been first duly sworn upon
10 his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. FELDEWERT:

13 Q. Mr. Collier, would you please state your full
14 name and place of residence?

15 A. Yes, I'm Timothy D. Collier, I reside at 1313
16 North Pennsylvania, Roswell, New Mexico.

17 Q. And do you own a partnership interest in the
18 Applicant in this case, Eagle Resources, L.P.?

19 A. That is correct.

20 Q. Okay. Have you participated in putting this
21 project together?

22 A. Yes, I have.

23 Q. Have you previously testified before this
24 Division or one of its Examiners?

25 A. No.

1 Q. Okay. Have you taken any courses in petroleum
2 geology or engineering?

3 A. Yes, during the 1970s.

4 Q. Okay. Did you graduate with any kind of a
5 geologic or petroleum --

6 A. No, I did not.

7 Q. Since the 1970s, have you been involved in oil
8 and gas projects in the Permian Basin of New Mexico?

9 A. Yes, I have. I've been active in exploration,
10 redevelopment in Eddy, Lea, Chaves County. I've made a
11 couple of discoveries, one in the Mesa-Queen, one in the
12 North Red Lake-Penrose. I've done a lot of the early
13 waterflood redevelopments, Dollarhide field, the East
14 Eumont, Penrose B, University Lind, Andrews. Acted as a
15 drilling contractor, drilled some of the first wells in the
16 Tucumcari Basin, a lot of wells in Chaves, Eddy and Lea
17 County and down to Twin Lakes extension here in Chaves
18 County.

19 Q. Have you participated with -- I think you said
20 waterflood projects?

21 A. Yes.

22 Q. Okay. Now, all this work that you've described,
23 has that been ongoing for the last -- what, 25 years?

24 A. That's correct.

25 Q. Okay. And have you acquired a working knowledge

1 of oil and gas development projects?

2 A. I think so.

3 Q. Okay. Would you consider yourself a practical
4 oilman?

5 A. That's correct.

6 Q. All right. During your 25 years of experience in
7 the Permian Basin area of New Mexico, have your
8 undertakings routinely required you to interpret geologic
9 and engineering data?

10 A. That's correct.

11 Q. And ascertain whether various projects would be
12 economic?

13 A. That's correct.

14 Q. Okay. Over the last 25 years have you been
15 employed by other companies to examine and form opinions
16 about redevelopment projects in Eddy and Lea County?

17 A. That's correct.

18 Q. And have you -- I think you've been involved, and
19 have you studied this project for Eagle Resources?

20 A. Correct.

21 Q. And is Eagle Resources presently engaged in some
22 redevelopment efforts in what is known as the Tule field in
23 Roosevelt County?

24 A. Correct.

25 Q. All right. Are you prepared to discuss this

1 project with the Examiner?

2 A. Yes.

3 MR. FELDEWERT: Okay. Mr. Examiner, I would
4 offer Mr. Collier as a practical oilman with experience in
5 oil and gas development projects in the Permian Basin of
6 New Mexico.

7 EXAMINER STOGNER: Mr. Collier, what's your
8 position with Eagle Resources? Are you an officer in that
9 corporation or limited partnership?

10 THE WITNESS: Owner.

11 EXAMINER STOGNER: You're an owner, okay. Mr.
12 Collier is so qualified.

13 MR. FELDEWERT: Thank you.

14 Q. (By Mr. Feldewert) Mr. Collier, we've marked as
15 Exhibit Number 2 Order Number R-8618. Have you reviewed
16 this order?

17 A. Yes, I have.

18 Q. Okay. And this is the order that approved the
19 unorthodox well location for the existing wellbore in the
20 north half of Section 32; is that --

21 A. That's correct.

22 Q. Or 34, I should say. Okay.

23 Paragraph (8) of that order indicates that this
24 unorthodox well location was approved because it provided
25 the most structurally advantageous position in that

1 particular area; is that correct?

2 A. That is correct.

3 Q. All right. And you propose to now use that
4 wellbore to test some additional formations that are
5 accessed by that wellbore?

6 A. That's correct.

7 Q. Why don't you turn to Eagle Exhibit Number 7 and
8 just describe for the Examiner the current condition of the
9 wellbore and what you plan to do?

10 A. Okay. As you can see, this well is currently
11 listed at the Commission as temporarily abandoned. It's
12 kind of curious that the Canyon oolite perms are above a
13 plug, so -- The Canyon oolite and the Penn sands, as well
14 as Montoya-Ordovician, have been tested, all of them
15 uncommercial in terms of at least the previous operator.

16 It's curious to us that the records that we have
17 aren't complete, and before this well is plugged we'd like
18 to have an opportunity to see if what's of record is
19 correct. And we also would like the option possibly to
20 look at some other things in this wellbore which are a
21 little bit unidentified at this time.

22 One of the driving elements here is, this field
23 is 20 miles from any other producing wells, so if you look
24 in the area and the body of knowledge that's available,
25 there's an awful lot that's unknown. And we would like to

1 confirm at least the original operator's determination here
2 in this well. What else?

3 Q. Now, going through your testimony, do you have
4 some question about whether this wellbore was adequately
5 tested before it was temporarily abandoned?

6 A. Yeah, we're a little concerned whether the oolite
7 was adequately tested and the method of testing of the Penn
8 sands. You know, we see what's reported and we see what's
9 in the well record and what we see, and we're just curious.

10 Q. Do you plan to use this wellbore to do some
11 additional testing on the Canyon oolite formation?

12 A. That's correct.

13 Q. Okay. And then you also have on this exhibit the
14 Penn sand and the Montoya. Would that be some additional
15 testing zones?

16 A. That is correct.

17 Q. Has the Canyon oolite produced in this area?

18 A. It produces in Section -- It's produced in
19 Section 22 of this township.

20 Q. Okay. Now, you mentioned -- I think you said
21 that this well was 20 miles from the nearest producer, and
22 there are some producers in the Tule --

23 A. Well, the Tule field is 20 miles from --

24 Q. From this one?

25 A. From -- No, no, no. This is --

1 Q. The Tule field is --

2 A. -- part of the Tule field. It's remote. One of
3 the other things that's important here is, we're currently
4 doing some other work on some wells, and because of
5 remoteness while we're in this area, we would like to have
6 the opportunity to re-evaluate what's been done out here
7 back in -- up through 1994.

8 Q. Okay, so you have some recompletion activities
9 going on in the Tule field?

10 A. That's correct.

11 Q. And you hope to dovetail on those activities with
12 an examination of this wellbore while you've got the
13 equipment out there?

14 A. Right, it's remote in that it's really hard to
15 mount an effort without -- kind of have to do it like a --

16 Q. In fact --

17 A. -- quite a -- yeah --

18 Q. Okay. And now --

19 A. -- group shot.

20 Q. Now, for someone like me, I'm assuming that the
21 remoteness of this area increases the cost of bringing out
22 the rig equipment and the other services that you need to
23 do this kind of work?

24 A. That's correct.

25 Q. Is this area on the northernmost part of the

1 Permian Basin of New Mexico?

2 A. This is the northernmost producing area of the
3 Permian Basin.

4 Q. All right. Would you characterize this as a
5 last-ditch effort to use this wellbore before it's plugged?

6 A. That's correct.

7 Q. In your opinion, are there sufficient recoverable
8 reserves to justify the drilling of a new well at a
9 standard gas well location?

10 A. No.

11 Q. Is the economic viability of this project
12 dependent upon the ability to use the existing wellbore?

13 A. It's purely dependent on that.

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

18 A. That's correct.

19 Q. And do you hope with this wellbore to salvage
20 some production out of this particular area?

21 A. Yes, we do.

22 Q. Now, do you have an AFE for this project?

23 A. Yes, sir.

24 Q. Has it been marked as Eagle Exhibit Number 8?

25 A. That is correct, I believe.

1 Q. Okay. And is this for your -- I think you
2 mentioned you were going to take a look at the Canyon
3 oolite --

4 A. Uh-huh.

5 Q. -- first? Is that what this AFE is for?

6 A. That is correct.

7 Q. Has this AFE been sent to anyone?

8 A. Yes, it has. It's been sent to Mike Mullins at
9 ChevronTexaco.

10 Q. Okay.

11 A. And also to Progressive Minerals.

12 Q. Okay. And are those the interest owners that
13 have the relatively larger interests that we're seeking to
14 pool today --

15 A. That's correct.

16 Q. -- if you look at Exhibit Number 3? Okay.

17 Now, why don't you review the dryhole and the
18 completed costs on this AFE?

19 A. This AFE contemplates a pumping well in the
20 Canyon oolite. All of the wells in the Tule field have
21 ultimately wound up as pumpers to remove associated water
22 recovered with the gas. You know, at the point that you've
23 tested the oolite and determined whether or not it's
24 commercial you would follow through, then -- You know,
25 completion in this case may actually be complete, put on a

1 pumpjack and some of those -- and the surface facilities,
2 as opposed to a drilling well.

3 Q. Okay. Now, this AFE shows a dryhole cost of
4 almost \$60,000 and a completion cost of \$203,415. Where
5 did you draw these estimates?

6 A. We're doing other work in the field currently,
7 and it's -- what we've learned from our experience out
8 there in the last three or four months in terms of the
9 amount of travel time, you know, the extra costs associated
10 with being remote, so it's empirical data.

11 Q. Okay. Now, have you also made an estimate of the
12 overhead and administrative costs while recompleting this
13 well and also while producing if you are successful with
14 your efforts?

15 A. That's correct.

16 Q. And what are those estimates?

17 A. \$7500 a month drilling and \$650 a month
18 producing.

19 Q. Okay, now how did you arrive at these particular
20 rates? Are these rates included in a JOA for the property?

21 A. Yes.

22 Q. Okay, and -- I'm sorry, where did you come up
23 with these particular estimates, given the remoteness of
24 this field?

25 A. Well, we currently operate the other wells in the

1 field, so we know from our experience.

2 Q. Okay, so is this based on your experience with
3 other wells in this area?

4 A. That's correct.

5 Q. All right. And do you recommend that these
6 figures be incorporated into any order that results from
7 this hearing?

8 A. Yes.

9 Q. And do you request that the overhead figures
10 approved by the Division be subject to adjustment in
11 accordance with the COPAS guidelines?

12 A. Yes.

13 Q. And does Eagle request a 200-percent charge for
14 risk, which is authorized by statute and now by rule, be
15 imposed against any working interest owner not voluntarily
16 committed to this well?

17 A. Yes.

18 Q. And who's going to be the operator? Is it Eagle
19 Resources, L.P.?

20 A. That is correct.

21 Q. All right. Now, you mentioned the fact that you
22 have existing equipment out there that you'd like to
23 utilize in this recompletion effort. When would you like
24 to commence operations on this well?

25 A. Really as soon as possible. Part of the leases

1 are expiring November 27th. It also makes it convenient
2 for us because of just mobilization time to the area. The
3 sooner we can do this, the more economic it is for us.

4 Q. Okay. Now, because of this existing equipment
5 and your lease expiration of November 27th, do you request,
6 if at all possible, that the Division expedite an order
7 before that period of time?

8 A. We would really appreciate that consideration.

9 Q. Okay. Now, were Eagle Exhibits 7 and 8 prepared
10 by you or compiled under your direction and supervision?

11 A. That is correct.

12 MR. FELDEWERT: Mr. Examiner, at this time I
13 would move the admission into evidence of Eagle Exhibits
14 Number 7 and 8.

15 EXAMINER STOGNER: Exhibits 7 and 8 will be
16 admitted into evidence at this time.

17 MR. FELDEWERT: And Mr. Examiner, that concludes
18 my examination of this witness.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Referring to Exhibit Number 7, do you plan to
22 clean the well out all the way back down to TD, or are you
23 showing that there was some sort of a plug or a fish in the
24 at about 7070 feet?

25 A. We think there's an Otis WB packer, which is a

1 permanent packer. We have no idea whether or not there's a
2 plug in that profile nipple.

3 Unfortunately, this is, I think, one of those
4 things that we're going to kind of have to feel our way
5 along. I'm not even -- I've looked at the past operator's
6 records, and the thing that puzzles me is, a plug set at
7 6950 with 35 feet of cement on top and it's entered in the
8 State records as temporarily abandoned, which if those
9 perfs above actually exist, which they appear to do from
10 the work record, somehow there was a huge oversight on, a),
11 the operator's part or, b), the State. I just don't know
12 what to believe about what I've been able to put together
13 here.

14 Q. How long has Eagle Resources been the operator of
15 this well?

16 A. We acquired this company in May.

17 Q. In May. Let's see, was there any outstanding
18 correspondence between the district office and the previous
19 operator about the status of that well being temporarily
20 abandoned, that it needed to be brought under production or
21 at least plugged and abandoned?

22 A. You know, what appears to have happened is, the
23 principal of this company died and it was sold. The known
24 records were recovered by us in July from a warehouse in
25 Houston, after a lot of searching. So I think that the

1 information trail is a little fuzzy. I don't think it's
2 particularly onerous, but that's all I know about.

3 Q. Have you filed an APD or the appropriate
4 paperwork with the Hobbs office about the proposed work in
5 this well?

6 A. I have not filed it. I was going to see if we
7 were able to get through these hoops.

8 EXAMINER STOGNER: Any other questions of Mr.
9 Collier?

10 MR. FELDEWERT: No, Mr. Examiner.

11 EXAMINER STOGNER: You may be excused.

12 Anything further, Mr. Feldewert?

13 MR. FELDEWERT: Mr. Examiner, that concludes our
14 presentation in this case.

15 EXAMINER STOGNER: Nothing further in Case
16 13,176, this matter will be taken under advisement.

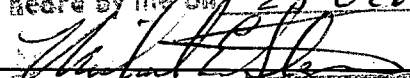
17 MR. FELDEWERT: Thank you.

18 EXAMINER STOGNER: At this time we'll take a 15-
19 minute recess, and I'll go back up and get Mr. Catanach.
20 You and Mr. Bruce can prepare for this matter.

21 MR. FELDEWERT: Thank you.

22 (Thereupon, these proceedings were concluded at
23 9:39 a.m.)

24 I do hereby certify that the foregoing is
a complete record of the proceedings in
* * * the Examiner hearing of Case No. 13176
heard by me on 23 Oct. 2003.

25  Examiner

Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

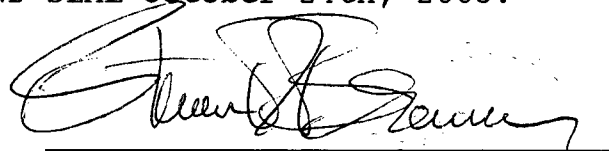
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL October 24th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006