

NEW MEXICO OIL CONSERVATION COMMISSION

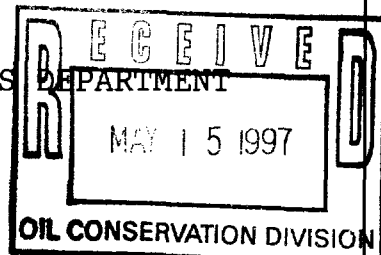
EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MAY 1, 1997 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W Kellahin	Kellahin + Kellahin	Santa Fe
Tommy Roberts	Roberts + Strother	Farmington
George Stange	Memoria Oil Co	"
William J. Sam	Simpson, Sam, George Anderson	Santa Fe
Jerry Hoover	Conoco	Midland
Lester Williams	MEMORIAL OIL	MIDLAND
James D. Sam		Santa Fe
Tim Robert	Marathon Oil	MIDLAND
Wm D. Deh	MARATHON OIL	MIDLAND.
Bryan Montgomery	Membrane Oil	Tyler
Michael Shepard	Membrane Oil Co	Tyler
Mike Hays	Chapman's Operating, Inc.	Coalbrook
Andrew Cole	CONOCO	MIDLAND
Paul Schultz	CONOCO	"

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



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
)
APPLICATION OF MERRION OIL AND GAS)
CORPORATION FOR COMPULSORY POOLING AND)
AN UNORTHODOX COAL GAS WELL LOCATION,)
SAN JUAN COUNTY, NEW MEXICO)
)

CASE NO. 11,766

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 1st, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 1st, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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May 1st, 1997
 Examiner Hearing
 CASE NO. 11,766

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<u>GEORGE F. SHARPE</u> (Engineer)	
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A P P E A R A N C E S

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* * *

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order for Docket Number 13-97. I'm Michael Stogner,
5 appointed Hearing Examiner for today's cases. Please note
6 today's date, Thursday, May 1st, Thursday, 1997.

7 At this time I will call Case Number 11,766,
8 Application of Merrion Oil and Gas Corporation for
9 compulsory pooling and an unorthodox coal gas well
10 location, San Juan County, New Mexico.

11 Call for appearances.

12 MR. ROBERTS: Mr. Examiner, my name is Tommy
13 Roberts. I'm an attorney with the law firm of Roberts and
14 Strother in Farmington, New Mexico, and I'm appearing on
15 behalf of the Applicant, Merrion Oil and Gas Corporation.

16 We have one witness to be sworn.

17 EXAMINER STOGNER: Any other appearances in this
18 matter?

19 Will the witness please stand to be sworn at this
20 time?

21 (Thereupon, the witness was sworn.)

22 EXAMINER STOGNER: Mr. Roberts?

23 Let's see, if the witness would sit up here in
24 this chair.

25 MR. ROBERTS: Mr. Examiner, you have a package of

1 exhibits for this case in front of you.

2 GEORGE F. SHARPE,

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

5 DIRECT EXAMINATION

6 BY MR. ROBERTS:

7 Q. Would you state your name and your address,
8 please?

9 A. George Sharpe from Farmington, New Mexico.

10 Q. By whom are you employed?

11 A. Merrion Oil and Gas Corporation.

12 Q. In what capacity?

13 A. I'm the manager of oil and gas investments, I'm a
14 petroleum engineer.

15 Q. How long have you been employed by Merrion?

16 A. Since 1990.

17 Q. And have you previously testified before the Oil
18 Conservation Division?

19 A. I have.

20 Q. And in what capacity?

21 A. As an expert witness.

22 Q. And were your qualifications then recognized and
23 accepted by the Commission?

24 A. They were.

25 Q. And are you familiar with the Application in this

1 case?

2 A. I am.

3 Q. And have you prepared certain exhibits to be
4 submitted in conjunction with your testimony?

5 A. I have prepared them, or they have been prepared
6 under my direction.

7 MR. ROBERTS: Mr. Examiner, I would tender Mr.
8 Sharpe as an expert in the field of petroleum engineering.

9 EXAMINER STOGNER: Mr. Sharpe is so qualified.

10 Q. (By Mr. Roberts) Mr. Sharpe, would you briefly
11 describe the purpose of this Application?

12 A. The purpose of this Application is twofold, the
13 first being to request approval for an unorthodox location,
14 unorthodox Fruitland Coal location, because we're drilling
15 in the southeast quarter versus the standard southwest or
16 northeast quarter of the section.

17 The second purpose is to force-pool two interests
18 that are uncommitted mineral interests.

19 Q. What is the experience of Merrion Oil and Gas
20 Corporation in drilling and completing Fruitland Coal gas
21 wells in the San Juan Basin?

22 A. We have completed a number of Fruitland Coal gas
23 wells in the Basin.

24 Q. I'd like for you to refer to what you have marked
25 as Exhibit Number 1 and identify that exhibit.

1 A. Exhibit Number 1 is a locator map showing the
2 entire San Juan Basin. In the very northwest corner of the
3 Basin, in Township 32 North, Range 13 West, is noted the
4 Havasu -- the location of the Havasu well, which is the
5 well we hope to drill.

6 Q. And in what section is that proposed well
7 located?

8 A. It is in Section 22 of Township 32 North, Range
9 13 West.

10 Q. And what is the proposed spacing unit for the
11 well?

12 A. The proposed spacing unit is the south half of
13 Section 22.

14 Q. Now refer to what you've marked as Exhibit Number
15 2 and identify that exhibit.

16 A. Exhibit Number 2 is a well location plat that
17 identifies the location of the well in the southeast
18 quarter of Section 22, it identifies the spacing unit,
19 being the south half of Section 22, and it shows the offset
20 operators.

21 Q. And would you identify those offset operators,
22 please, for the record?

23 A. Burlington Resources, Hallwood Petroleum
24 Companies, and Thompson Engineering.

25 Q. Is the proposed spacing unit standard for a

1 Fruitland Coal development?

2 A. The spacing unit is standard.

3 Q. Okay. Do you know the footage location of the
4 proposed well?

5 A. The proposed well will be at 790 from the south
6 and 790 from the east of Section 22.

7 Q. Now turn to what you've marked as Exhibit Number
8 3 and identify that exhibit.

9 A. Exhibit Number 3 is the lease ownership plat
10 within the south half of Section 22. It shows eight
11 different tracts of land and identifies the ownership of
12 each tract.

13 Specifically identified is the fact that Merrion
14 has 81.68664 percent of the interest that is committed,
15 Burlington Resources has 12.4158 percent of the ownership
16 that is committed.

17 There are two uncommitted interests. The Fields
18 Estate has 5.612 percent of the south half of the section,
19 and the Waymen-Palmer ownership is .28556 percent. Those
20 -- Both of those interests are uncommitted.

21 Q. Through what process were these ownership
22 interests ascertained?

23 A. They were ascertained through brutal title
24 searches through the appropriate county records.

25 Q. Now, I note from the exhibit that you've

1 identified eight separate tracts. Do each of these tracts
2 represent a separate and distinct lease, or simply some
3 difference in the ownership of the proceeds of production?

4 A. They actually are separate leases. Some of the
5 tracts, in addition -- Tract II is an example, and I'm not
6 sure what the terminology is, but they have partial
7 interest in that tract. Fields owns 20 percent of all of
8 Tract II --

9 Q. Okay.

10 A. -- whatever that's called.

11 Q. Now turn to what you've labeled as Exhibit Number
12 4 and identify that exhibit.

13 A. Exhibit Number 4 is the attempts to communicate
14 with the Harold Fields Estate. It shows the correspondence
15 that was sent to the Harold Fields Estate, both to drill
16 the well and also -- okay, the Application -- I notice that
17 the Application for the nonstandard locations was also sent
18 to Harold Fields Estate.

19 Q. Who was responsible for the communications with
20 the Estate of Mr. Fields?

21 A. We had a contract landman, Mr. Rob Johnston, who
22 spent most of the effort in trying to acquire the leases
23 and track down the Harold Fields Estate.

24 The very last page is a synopsis of his attempts
25 to locate the owners of the Harold Fields Estate, which is

1 felt to be Ms. Medreth Fields, being as that Thomas Harold
2 Fields, her husband, is known to have died --

3 Q. What type of interest is owned by the Estate of
4 Harold Fields?

5 A. They own the mineral interests.

6 Q. And it's an unleased interest?

7 A. It is an unleased -- unleased interest, that's
8 correct.

9 Q. Why don't you summarize the attempts that were
10 made to locate and identify the heirs of the estate?

11 A. On the last page of Exhibit 4, summarizes those
12 attempts, shows the chain of title and how the chain of
13 title was tracked to Medreth Fields as the current owner of
14 the estate, the efforts to find addresses for Medreth
15 Fields, the effort to contact her at those addresses, the
16 efforts to contract the -- Jacqueline Campbell, who was
17 Trustee of the Estate, should Medreth predecease Harold,
18 and the fact that we have not been able to find Ms. Medreth
19 Fields or any of her heirs.

20 Q. And is that a summary of all of the efforts at
21 contact that have been made? Have there been any more
22 recent efforts made?

23 A. Recently, well, we've sent, of course, the
24 letters to the address, which were all returned, and the
25 letters with the AFE and the operating agreement and with

1 the notification of the hearing and the force-pooling
2 Application.

3 In addition, we have initiated a statewide
4 search, item number 8 on the last page, with the State of
5 Washington, but that is still in progress.

6 Q. And I notice that in the package of exhibit
7 materials under Exhibit Number 4, there's a letter dated
8 February 26th, 1997, to the Harold Fields estate. It
9 appears that you sent this letter, accompanied with an AFE
10 for the well, an operating agreement, a communitization
11 agreement; is that accurate?

12 A. Yes, it is.

13 Q. And this letter was returned to you undelivered?

14 A. Yes, it was. And that -- The next page shows
15 that it was returned.

16 Q. And in your opinion, was a good faith, diligent
17 effort made to locate the heirs of Harold Fields?

18 A. Yes, it was.

19 Q. Let me ask you now to turn to what you've marked
20 as Exhibit Number 5 and identify that exhibit, please

21 A. Exhibit Number 5 is the synopsis of the
22 correspondence with Mr. and Mrs. Eason Waymen-Palmer. The
23 second page shows a letter which transmitted a supplemental
24 AFE to them. The -- further back, dated April 21st, 1997.
25 Further back is the letter dated February 26th, 1997, that

1 transmitted the original AFE, the communitization
2 agreement, the operating agreement and the Application by
3 Merrion for the force-polling and for the nonstandard
4 location.

5 Q. Do you have evidence that these communications
6 were received by Mr. and Mrs. Waymen-Palmer?

7 A. We do. Included in the exhibit is the certified
8 return receipt.

9 Q. And is this interest also an unleased mineral
10 interest?

11 A. Yes, it is.

12 Q. And accompanied with this correspondence, did you
13 submit to Mr. and Mrs. Waymen-Palmer an operating
14 agreement, a proposed operating agreement and an AFE?

15 A. Yes, we did.

16 Q. What has been the result of your communications
17 with these people?

18 A. The result of the communications -- and again,
19 most of it was done by Mr. Robert Johnston, and the very
20 last page of the exhibit summarizes his verbal
21 correspondence and negotiations with them, which
22 supplemented the -- and actually preceded and coincided
23 with the written correspondence.

24 Basically, they were ready to sign an agreement
25 but at the last minute decided -- or to sign a lease, or to

1 give us a lease -- at the last minute rescinded the lease
2 because they are concerned about their water wells. They
3 are -- They farm in the river valley, near the La Plata
4 River, and are concerned that the Fruitland Coal well will
5 potentially contaminate or dry up either/or their water
6 wells.

7 Q. And have they indicated to you that they will not
8 in any way join in the drilling of this well, either by
9 leasing or by participating voluntarily?

10 A. They have indicated that their concern is that if
11 they lease to us, even though they are participating in the
12 well, that that would sacrifice their ability for recourse,
13 should indeed we drill a Fruitland Coal well, dewater the
14 area and for whatever reason affect their water wells on
15 their land.

16 Q. And have they understood that it would be your
17 recourse to seek this compulsory pooling of their
18 interests?

19 A. It is my understanding that they are fully aware
20 of that and that they choose that over, again, voluntarily
21 giving up their right to potentially come back if their
22 water wells are hurt.

23 Q. In your opinion, has Merrion done all that's
24 reasonably possible to obtain the voluntary joinder of this
25 interest?

1 A. Yes, it has.

2 Q. Now, turn to what you've marked as Exhibit Number
3 6. Please identify that exhibit.

4 A. Exhibit Number 6 is the initial AFE and the
5 supplemental AFE that were sent out to the working interest
6 parties and the unleased mineral interest parties.

7 Q. In the original AFE, identify the dryhole and
8 completed costs.

9 A. In the original AFE, the total dryhole cost would
10 be \$77,400; the total completed costs would be \$256,500,
11 roughly.

12 Q. Why was the AFE modified?

13 A. It was modified because parallel with our efforts
14 to stake the well and get the well drilled, we have had to
15 increase our estimates, and that's shown on the second
16 page, on the modified AFE, by \$17,000 for surface damages
17 that we're having to pay to San Juan Coal Company to allow
18 us to drill a well on their surface lease, and also \$40,000
19 cost to bore under the haul road near their La Plata Mine,
20 their coal mine.

21 Q. And as revised, what are the total dryhole and
22 completed costs?

23 A. The dryhole cost would be increased by \$17,000.
24 They are not itemized on this AFE, but the \$77,430 would be
25 increased by the \$17,000 to \$94,430, would be the dryhole

1 cost, because we would have to pay the surface damages.

2 The \$40,000 would not be paid unless the well was
3 completed, and that would increase our completed cost to
4 \$313,480.

5 Q. In your opinion, are these estimated costs
6 reasonable, given the nature of the proposed operation?

7 A. Yes, they are.

8 Q. Are these estimated costs consistent with your
9 experience in the drilling and completion of Fruitland Coal
10 gas wells in the San Juan Basin?

11 A. Yes, they are.

12 Q. Turn to what you've marked as Exhibit Number 7
13 and identify that exhibit.

14 A. Exhibit Number 7 is an operating agreement, AAPL
15 Form 610-1989, dated February 1st, 1997, covering all of
16 Section 22 as to the Fruitland Coal formation.

17 Q. And is this operating agreement a standard form
18 commonly used in the oil and gas industry?

19 A. Yes, it is.

20 Q. Has it been modified as to any substantive
21 provision?

22 A. No substantive modifications.

23 Q. Who do you propose be designated as the operator
24 of the contract area and the wells to be drilled on the
25 contract area?

1 A. Merrion Oil and Gas Corporation would be the
2 designated operator.

3 Q. Identify what you've marked as Exhibit Number 8.

4 A. Exhibit Number 8 is an Ernst and Young survey,
5 the latest that's available or that at least we have access
6 to, showing overhead rates both for producing wells and for
7 drilling wells in the Colorado Plateau, Basin and Range
8 area.

9 Q. And in this case, do you propose the assessment
10 of supervisory charges during the drilling and producing
11 stages of the operation?

12 A. Overhead charges?

13 Q. Yes.

14 A. Yes, we do.

15 Q. At what rates?

16 A. We have proposed \$3500 per month prorated
17 overhead charges for drilling, which compares on the bottom
18 part of Exhibit 8 under gas wells less than 5000 feet, it
19 compares to around \$4800, roughly, as the going rate. So
20 \$3500 is our proposed rate, versus \$4800.

21 Q. And what about the producing well rate?

22 A. The producing well rate, we have \$350 as the
23 proposed rate, versus \$421 to \$429 as the going rates in
24 1995.

25 Q. And in your opinion, are these rates reasonable

1 and customary, given the nature and location of the
2 operation?

3 A. Yes, they are.

4 Q. Let's turn to what you've marked as Exhibit
5 Number 9. Please identify that exhibit.

6 A. Exhibit Number 9 is a map of the are surrounding
7 Section 22, showing the Fruitland Coal production in and
8 around that area, peak gas rate and peak water rate. You
9 can see significant variation in both the gas and the water
10 rate, indicating that there is still significant risk in
11 drilling the Havasu Number 1.

12 In addition, you can note that there are no
13 producing wells -- well, with the exception of the one down
14 in Section 33 that's making 54 MCF a day and 16 barrels of
15 water a day -- that are as close to the Fruitland outcrop
16 as the Havasu Number 1.

17 Q. You have a line drawn on this exhibit, noted as
18 the Fruitland outcrop. What is the significance of the
19 Fruitland outcrop?

20 A. That is where the main Fruitland Coal interval
21 intersects the surface. And in fact, BHP's mine is on the
22 eastern portion of this map, on the surface, where they're
23 mining at the La Plata Mine, the coal.

24 Q. I notice that you have two separate notations
25 dealing with other applications for approval of unorthodox

1 coal gas well locations. One is designated as the Thompson
2 application, Case Number 11,728, and the other is
3 identified as the Hallwood unorthodox location.

4 Will you describe those, please? And what is the
5 significance of that information to this case?

6 A. The significance of the information is the fact
7 that nonstandard locations for the Fruitland Coal, from the
8 standpoint of being drilled in the unorthodox quarter
9 section, have been approved in the area, in the case of the
10 Hallwood application; and in the Thompson application I
11 understand that that order is anticipated shortly.

12 Q. Okay. And both of these requests for approval of
13 an unorthodox location were based on off-pattern locations?

14 A. That is correct.

15 Q. Now turn to what you've marked as Exhibit Number
16 10. Identify that exhibit.

17 A. Exhibit Number 10 is a structure map of the
18 Fruitland Coal in the area near the proposed Havasu well.
19 It shows -- They are 200-foot contours. The Fruitland
20 outcrop is noted on the map.

21 It shows that the Havasu Number 1 is anticipated
22 to hit the main Fruitland Coal at a depth of approximately
23 1200 feet in the southeast quarter of Section 22. If we
24 were to drill that well in the southwest quarter of Section
25 22, we would likely -- at the location we'd have to hit the

1 well, we'd likely hit the Fruitland Coal in the 600- to
2 800-foot depth range.

3 Q. Does this information depicted on this exhibit,
4 therefore, go to the aspect of risk that would be
5 undertaken?

6 A. It is -- For geologic reasons, we would prefer to
7 be as deep as possible in the coal.

8 The gas content of the coal is directly related
9 to the pressure, and if you have -- intersect the coal at a
10 deeper depth, then you're going to have more gas content
11 and theoretically a more productive and more economic well.

12 So for geologic reasons, we'd prefer to be as
13 deep as possible, and that requires us to be as far
14 southeast in the section as possible.

15 Q. Now, the next case on the docket is Case Number
16 11,767, I believe, and the subject matter of that case is a
17 compulsory pooling request for what's known as the Powell
18 Number 1 well, which is proposed to be located in the north
19 half of Section 22, which is closer to the Fruitland
20 outcrop, and I assume a shallower -- will be encountered at
21 a shallower depth.

22 It would appear that there might be a little
23 inconsistency in the logic here. You say you need to be
24 further away from the outcrop so as to be deeper. How
25 would you explain that apparent inconsistency?

1 A. The inconsistency is -- The Powell case stands
2 alone in the fact that the economics of that well are
3 separate from the economics of the Havasu Number 1. We
4 will not drill the Powell Number 1 unless the Havasu Number
5 1 is successful.

6 And so if we were to drill the Havasu Number 1 at
7 the shallower depth, again, we sacrifice the reserves of
8 the Havasu Number 1, we have a much smaller chance of
9 success, and even though we're willing to drill wells at
10 those shallower depths, only if the Havasu Number 1 at 1200
11 feet proves to be economic.

12 Q. Do you propose that a risk factor be charged
13 against any interest owner who does not voluntarily join in
14 this operation?

15 A. Yes, we propose a risk factor of 156 percent.

16 Q. And is it your understanding that that is the
17 maximum that is traditionally allowed by the Division?

18 A. That is my understanding.

19 Q. How do you support that request?

20 A. We support that request, again, with the fact,
21 going back to Exhibit 9, of the variability of the wells
22 and the production from the wells around there, the high
23 water rates and the expense of handling water, in addition,
24 pointing out that no well has been drilled with significant
25 gas rates as shallow as the Havasu Number 1 is proposed at

1 this point.

2 Q. Now turn to what you've marked as Exhibit Number
3 11 and identify that exhibit.

4 A. Exhibit Number 11 is a copy of a topographic map
5 across Section 22, which shows the spacing units in the
6 south half of Section 22. It also shows the location of
7 the Havasu Number 1 at a location of 790 from the south and
8 790 from the east of Section 22.

9 Q. Is this in an area that would be considered
10 residential? Would it be in proximity to a residential
11 area?

12 A. It is definitely a rural area, but the small
13 squares shown on the map depict developments, housing. In
14 particular, on the southwest -- or in the southwest quarter
15 of Section 22 you have significant development in there.
16 It would be very difficult to find a location in there that
17 would not be affected by this housing.

18 In addition, the map shows the La Plata River
19 coming through, basically through the center of Section 22,
20 coming across the section from north to south. It also
21 shows the La Plata highway parallelling the river along the
22 same location.

23 If we were to drill the well in the standard
24 location in the southwest quarter of Section 22, we'd have
25 the complications of a higher development level from the

1 people.

2 We would also have the significant added costs,
3 risks and effort of crossing both the highway and the river
4 to get over the gas gathering system, which is all on the
5 east side of that section, actually the east side of the
6 highway and the river.

7 Q. Now turn to what you've marked as Exhibit Number
8 12. Identify that exhibit.

9 A. Exhibit Number 12 is a letter to all interested
10 parties notifying them of the Application of Merrion Oil
11 and Gas of the nonstandard Fruitland Coal location, those
12 interested parties being the offset operators that are not
13 working interest owners. Burlington Resources is an offset
14 operator, but they are a working interest owner in the
15 well.

16 Q. And behind the letter dated February 26th are two
17 other letters. Would you identify those letters, please?

18 A. The first letter is from John Thompson at Walsh
19 Engineering, also known as Thompson Engineering, indicating
20 they have no opposition to the proposed nonstandard
21 location.

22 The second letter is a letter from Hallwood
23 Petroleum, Incorporated, indicating the same.

24 Burlington Resources, the third offset operator,
25 by virtue of the fact that they approved the AFE and have

1 approved all information and operating agreement and
2 communitization agreements submitted to them, have
3 indicated their approval of the nonstandard location.

4 Q. Did a notice of this hearing go to Mr. and Mr.
5 Waymen-Palmer?

6 A. Yes, it did. It went with the AFE packet and was
7 sent via that correspondence with the AFE, communitization
8 agreements and operating agreement.

9 Q. Do you know that they received that
10 communication?

11 A. They did. It was sent certified, and the return
12 receipt was received.

13 Q. And did you send a copy of this -- or did you
14 send a notification of the hearing to the estate of Harold
15 Fields?

16 A. We did send it to them through the same AFE
17 packet. It was returned unopened.

18 Q. Mr. Sharpe, are you familiar with the notice
19 requirements of the Oil Conservation Division applicable to
20 cases of this type?

21 A. Yes, I am.

22 Q. And in your opinion, have those requirements been
23 satisfied?

24 A. Yes, they have.

25 Q. In your opinion, will the granting of this

1 Application be in the interest of conservation and result
2 in the prevention of waste and the protection of
3 correlative rights?

4 A. Yes, it will.

5 Q. And were Exhibit Numbers 1 through 12 prepared by
6 you or at your direction and under your supervision?

7 A. Yes, they were.

8 MR. ROBERTS: Mr. Examiner, I would move the
9 admission of Exhibit Numbers 1 through 12.

10 EXAMINER STOGNER: Exhibits 1 through 12 will be
11 admitted into evidence at this time.

12 MR. ROBERTS: I have no other questions on
13 direct.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. Mr. Sharpe, in referring to Exhibit Number 11,
17 you mentioned the coal mining activity in this area to the
18 west. Is there actually part of that coal mine in the
19 southern part of Section 22?

20 A. There is not. The haul road -- You can see
21 penciled on the bottom part of that topo map on Exhibit 11,
22 you can see that's where the haul road is. It was not
23 shown on this topo map, because the topo map predated the
24 mine.

25 You can see some surface mines, which is where

1 the outcrop is across the north part of 22. Those are not
2 active mines.

3 Q. Okay, now, you look further to the west, over in
4 the other section; it has the Thomas Mine in there. Is
5 that a current mine?

6 A. My understanding is, that is not an active mine.

7 Q. Were they surface mining or --

8 A. They were surface mining.

9 Q. Okay, not underground then?

10 A. No.

11 Q. Was Hallwood notified registered return receipt?

12 A. They were not, by oversight, nor was Thompson,
13 and thus we requested their letters. We do know that they
14 did receive notification via phone calls from both and
15 phone calls to both, and because we had oversight and had
16 not sent them return receipt we requested that they write
17 us these letters, which they agreed to do.

18 Q. And how about Burlington?

19 A. Burlington was not notified -- Well, no,
20 Burlington was notified return receipt, because they were
21 notified through the AFE package. And everyone on the
22 AFE -- Well, I say that. I don't know that for sure,
23 whether Burlington was notified return receipt. They did
24 receive it, again, through conversation with them and with
25 their subsequent approval of the AFEs.

1 Q. And they are a party to this, and -- When did
2 they agree to join in this project? I guess they have some
3 stuff in Tract III, which is the -- what? The northeast of
4 the southeast?

5 A. Right, if anyone's affected by the nonstandard
6 location, it would actually be Burlington. They actually
7 own the -- right, the -- Going back to Exhibit 3, they own
8 Tract III and they own the adjacent lease directly east.
9 So they are most affected by this well, and they approved
10 the AFE and approved the location and drilling of the well
11 approximately two weeks ago.

12 EXAMINER STOGNER: No other questions.

13 MR. ROBERTS: I have none.

14 EXAMINER STOGNER: Does anybody else have
15 anything in Case Number 11,766?

16 Then this case will be taken under advisement.

17 (Thereupon, these proceedings were concluded at
18 8:53 a.m.)

19 * * *

20
21
22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
the Examiner hearing of Case No. 11766
heard by me on May 1997.

24 
25 **Examiner**
Oil Conservation Division

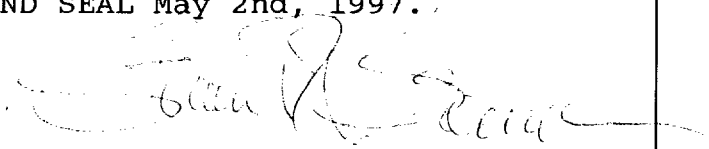
CERTIFICATE OF REPORTER

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 May 2nd, 1997..


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998