

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
26 March 1980

EXAMINER HEARING

IN THE MATTER OF:

| | | |
|---------------------------------------|---|------|
| Application of Doyle Hartman for two |) | CASE |
| compulsory poolings, Two non-standard |) | 6846 |
| gas proration units, and two unortho- |) | |
| dox well locations, Lea County, New |) | |
| Mexico. |) | |

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

| | |
|--------------------------|-------------------------------|
| For the Oil Conservation | Ernest L. Padilla, Esq. |
| Division: | Legal Counsel to the Division |
| | State Land Office Bldg. |
| | Santa Fe, New Mexico 87501 |

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. STAMETS: Call next Case 6846.

2 MR. PADILLA: Application of Doyle Hart-
3 man for two compulsory poolings, two non-standard gas pro-
4 ration units, and two unorthodox well locations, Lea County,
5 New Mexico.

6 MR. STAMETS: Applicant in this case has
7 requested that it be continued to the April 9th Examiner
8 Hearing and it shall be.

9

10 (Hearing concluded.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

REPORTER'S CERTIFICATE

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

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6846,
heard by me on 3-26 1980.
Richard P. Hamt, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
26 March 1980

EXAMINER HEARING

IN THE MATTER OF:

| | | |
|---------------------------------------|---|------|
| Application of Doyle Hartman for two |) | CASE |
| compulsory poolings, Two non-standard |) | 6846 |
| gas proration units, and two unortho- |) | |
| dox well locations, Lea County, New |) | |
| Mexico. |) | |

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

| | |
|--------------------------|-------------------------------|
| For the Oil Conservation | Ernest L. Padilla, Esq. |
| Division: | Legal Counsel to the Division |
| | State Land Office Bldg. |
| | Santa Fe, New Mexico 87501 |

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STAMETS: Call next Case 6846.

MR. PADILLA: Application of Doyle Hartman for two compulsory poolings, two non-standard gas production units, and two unorthodox well locations, Lea County, New Mexico.

MR. STAMETS: Applicant in this case has requested that it be continued to the April 9th Examiner Hearing and it shall be.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

REPORTER'S CERTIFICATE

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

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings
the Examiner hearing of Case No. _____
heard by me on _____ 19____.

Oil Conservation Division Examiner

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for two) CASE
compulsory poolings, two non-standard) 6846
gas proration units, and two unortho-)
dox well locations, Lea County, New)
Mexico.)

And)

In the matter of Case No. 6846 being) CASE
amended to reflect that the loca-) 6846
tion for the unorthodox location of) Amended
the well on the second unit is 330)
feet from the north line and 2310)
feet from the east line of Section)
13, Township 21 South, Range 36)
East, Lea County.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

WILLIAM P. AYCOCK

| | |
|---------------------------------|----|
| Direct Examination by Mr. Carr | 4 |
| Cross Examination by Mr. Nutter | 35 |

E X H I B I T S

| | |
|--|----|
| Applicant Exhibit One, Plat | 7 |
| Applicant Exhibit Two, Plat | 12 |
| Applicant Exhibit Three, Cross Section | 14 |
| Applicant Exhibit Four, Cross Section | 15 |
| Applicant Exhibit Five, Tabulation | 17 |
| Applicant Exhibit Six, Tabulation | 18 |
| Applicant Exhibit Seven, C-102s & C-101s | 20 |
| Applicant Exhibit Eight, Title Opinion | 20 |
| Applicant Exhibit Nine, Summpary | 21 |
| Applicant Exhibit Ten, Summary | 21 |
| Applicant Exhibit Eleven, Summary | 21 |
| Applicant Exhibit Twelve, Summary | 21 |
| Applicant Exhibit Thirteen, Documents | 26 |
| Applicant Exhibit Thirteen-A, Documents | 28 |
| Applicant Exhibit Fourteen, Chart | 30 |
| Applicant Exhibit Fifteen, Letters | 32 |

1 MR. NUTTER: We will call next Case Num-
2 bers 6846, two cases here, the original case and the amended
3 case.

4 MR. PADILLA: In the matter of Case
5 Number 6846 being amended to reflect that the location for
6 the unorthodox location of the well on the second unit is
7 330 feet from the north line and 2310 feet from the east
8 line of Section 13, Township 21 South, Range 36 East, Lea
9 County; and application of Doyle Hartman for two compulsory
10 poolings, two non-standard gas proration units, and two
11 unorthodox well locations, Lea County, New Mexico.

12 MR. CARR: May it please the Examiner,
13 I am William F. Carr, Campbell and Black, P. A., appearing
14 on behalf of the applicant.

15 I have one witness who needs to be sworn.

16
17 (Witness sworn.)

18
19 WILLIAM P. AYCOCK
20 being called as a witness and having been duly sworn upon
21 his oath, testified as follows, to-wit:

22
23 DIRECT EXAMINATION

24 BY MR. CARR:
25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. CARR: Initially, Mr. Examiner, I
2 would note that Conoco had expressed objection to the loca-
3 tion of the wells as advertised. We have agreed with Con-
4 tinental to move the wells to a more standard location and
5 we request permission to go forward with the case now with
6 the two wells located as follows: One 330 feet from the
7 north line, 1980 from the east line; the other, 1650 from
8 the north line and 1980 from the east line.

9 The net affect of this change is to move
10 the wells 660 feet from the offsetting property.

11 MR. NUTTER: Okay. Now, the first well
12 which was to be drilled 330 from the north and 2310 from
13 the east, will now be drilled what?

14 MR. CARR: 330 from the north and 1980
15 from the east.

16 MR. NUTTER: And the other well was to
17 be drilled 1650 from the north and 2310 from the east, and
18 it will be drilled what?

19 MR. CARR: 1650 from the north and 1980
20 from the east line.

21 MR. NUTTER: So while they're still not
22 orthodox locations, they are less unorthodox than they were.

23 MR. CARR: That is correct. They have
24 been moved directly to the east 330 feet away from the
25 Continental property.

1 MR. NUTTER: Okay, we'll consider the
2 application amended to that affect, then.

3
4 Q Will you state your name and place of
5 residence?

6 A William P. Aycock, Midland, Texas.

7 Q By whom are you employed and in what
8 capacity?

9 A By Doyle Hartman in connection with the
10 application under Case Number 6846.

11 Q Have you previously testified before this
12 Commission, had your credentials accepted and made a matter
13 of record?

14 A Yes, sir, I have.

15 Q Are you familiar with the application in
16 this case?

17 A Yes, sir, I am.

18 Q Were you previously qualified as a petro-
19 leum engineer?

20 A Yes, sir, I have been.

21 MR. CARR: Are the witness' qualifications
22 acceptable?

23 MR. NUTTER: Yes, they are.

24 Q Mr. Aycock, will you briefly state what
25 Mr. Hartman is seeking with this application?

1 A. Mr. Hartman is seeking two non-standard
2 proration units, gas proration units, for the property that
3 is described as the northeast quarter of Section 13, Town-
4 ship 21 South, Range 36 East, in Lea County, New Mexico,
5 which is within the boundaries of the Eumont Pool.

6 He further seeks compulsory pooling for
7 these two non-standard gas proration units, and he seeks the
8 consideration for the costs of drilling and completing the
9 wells and allocation of the cost, as well as operating
10 charges and cost of supervision.

11 Also, he requests in his application that
12 he be designated as the operator of the wells and a charge
13 for risk involved in drilling these wells.

14 Q. Mr. Aycock, will you refer to what has
15 been marked for identification as Mr. Hartman's Exhibit
16 Number One and review the information contained thereon?

17 A. Exhibit Number One is a well and ownership
18 plat of the 9-section block that includes Section 13, Town-
19 ship 21 South, Range 36 East, and shows the existing and
20 former nearby Eumont wells and the proposed locations.

21 I would call the Examiner's attention
22 to the fact that the locations that are shown are actually
23 marked at the locations that they were originally applied
24 for and not as this amended application has been accepted.

25 MR. NUTTER: And each of these locations

1 moves 330 --

2 A. Yes, sir.

3 MR. NUTTER: -- feet to the east.

4 A. It makes them 660 feet immediately east
5 of the west line of the northeast quarter.

6 It's also shown on the Exhibit Number One
7 are the cross section traces that will be subsequently pre-
8 sented as exhibits.

9 Q. Now, Mr. Aycock, are the wells marked
10 in red, are those Eumont completions?

11 A. They either are or were. Some of them
12 are no longer active.

13 Q. Are the Eumont wells that offset the two
14 proposed units what you would characterize as good wells,
15 or were they good wells?

16 A. They were at one time, but in general,
17 the production rates are quite low and the decline rates
18 are also quite low at the present time.

19 Q. And the two wells indicated in the north-
20 east quarter of this section by the red dots are presently
21 abandoned?

22 A. Yes, sir. They were originally drilled
23 and completed by Getty Oil Company, which has abandoned
24 the lease and which has furnished Mr. Hartman an appropriate
25 document.

1 Q. Why is Mr. Hartman proceeding with both
2 of these projects at one time?

3 A. There basically are two reasons. Number
4 one, it is Mr. Hartman's opinion, based upon the studies
5 that he has done and those that I have assisted him in
6 doing, that two wells will be required to drain the remaining
7 Eumont gas reserves from beneath the property; the fact that
8 he has some of the numerous oil and gas leases that cover
9 the property, which will be presented in detail at a later
10 time during this testimony. There are two of those leases
11 that expire in May of 1980. There is also a problem that
12 concerns some of the other interests that are not controlled
13 by Mr. Hartman, in that he has requested the other interests
14 to either join or farmout or do something, and at this time
15 has received no reply to his request. In the absence of an
16 affirmative reply, Mr. Hartman must consider that there is
17 a disagreement that presumably would come under the forced
18 pooling statute here, and if he were to drill only one well,
19 these oil and gas leases, several of them, as will be fur-
20 ther explained later, contain clauses in them that require
21 horizontal and vertical release of the acreage not dedicated
22 to a producing well at the expiration of the primary term.

23 Were he to drill one well and then come
24 back and drill another, he would have to have his rig
25 scheduling so that the second well could be spudded across

1 the expiration date of the two oil and gas leases involved,
2 or he would have to -- have had to have advertised as a
3 160-acre location or now amend and ask that it be re-adver-
4 tised for another hearing, in which case it would be re-
5 quired that he come back to this Commission for an infill
6 finding for the second well.

7 Because certain of the parties that con-
8 trol leases that are not -- or a portion of this property
9 that is not controlled by Mr. Hartman, are people from out-
10 of-state, who are not professional oil and gas people, and
11 who cannot, apparently cannot make up their minds whether
12 they wish to join or not. Mr. Hartman feels that he cannot
13 undertake the additional financial risk of financing not
14 only his portion of the wells but some additional portion
15 of those that apparently cannot make up their minds without
16 the protection of the forced pooling statute would offer
17 him.

18 In addition to that, he understands that
19 there is some internal friction among certain of the parties
20 and that it is possible that legal action could be taken
21 among them to -- that would influence the ownership here
22 and cause him problems in being able to drill and operate
23 the wells in an orderly manner.

24 Mr. Hartman comes before this Commission
25 as a last straw situation. He's been working on this for

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 over a year in attempting to put this thing together, and
2 he's now reached the end of his rope on his oil and gas
3 leases and he's forced to come here and request forced
4 pooling in order that he can proceed with orderly develop-
5 ment of the property prior to the expiration of two of the
6 oil and gas leases that he controls.

7 MR. NUTTER: Okay, Mr. Aycock, you've
8 been referring to a whole bunch of people, or lessees, or
9 lessors, or something under these properties. Can you
10 straighten me out on just who they are?

11 A. Yes, sir.

12 MR. NUTTER: The application was filed
13 there were working interest owners A, B, C, D, and E.

14 A. Yes, sir, we have --

15 MR. NUTTER: And each one of those was
16 listed on the application as owning a certain percentage
17 of the -- of the north half of the northeast quarter and
18 the south half of the northeast quarter.

19 A. Yes, sir, we have exhibits that will do
20 that, Mr. Nutter. If you would prefer us to take those out
21 of the order we planned to present them and go into that
22 at this time, we'll be glad to do it.

23 MR. NUTTER: Well, you were talking about
24 it so I was just curious as to what the status was, but if
25 you're going to cover that, go ahead and cover it when you

1 want.

2 A. Yes, sir, we have several exhibits that
3 will cover that, I think, in very adequate detail. I trust
4 it will, anyway.

5 MR. NUTTER: Okay.

6 Q. Mr. Aycock, if Mr. Hartman were to drill
7 the first well and it should not be a successful endeavor,
8 will he still proceed and drill the second well?

9 A. It's Mr. Hartman's intention to drill
10 both wells regardless of the outcome of the first well.

11 Q. So these are definitely separate projects?

12 A. As far as he is concerned, they are.

13 Q. Will you please refer to what has been
14 marked for identification as Exhibit Two and summarize the
15 information contained thereon?

16 A. Exhibit Two is a structure map on the top
17 of the Penrose Sand, which lies within the interval that is
18 designated as the Eumont Pool, showing the same 9 -- 10 sec-
19 tion -- excuse me, 9 section block in which Section 13,
20 Township 21 South, Range 36 East is the middle section.
21 It shows the same wells as were displayed on Exhibit Number
22 One, and shows how the structural contours indicate that
23 the lease in question is at a juncture of two local struc-
24 tural anomalies. It is our opinion, based upon the studies
25 that we have conducted, that this can and usually does in

1 this area result in a greater variability of the zones that
2 are included within the Eumont Pool designation than would
3 be expected if you were located more nearly on the crest
4 of any of these anomalies, where the rate of dip is somewhat
5 steeper than it is in the vicinity of the lease in question.

6 Q By moving the wells as we have done here
7 this afternoon to the east, do you believe you will still
8 obtain a good structural position?

9 A Yes, sir, I think that within the preci-
10 sion of the data available to us, you can say that it would
11 be equally as good as the locations at which they were ori-
12 ginally requested.

13 Q In your opinion, due to the irregular
14 nature of the sands that you indicated you anticipate in
15 this area, do sound engineering principles dictate developing
16 this acreage with two wells?

17 A Yes, sir, I think they do and I think
18 it's Mr. Hartman's stated intention and desire to drill both
19 of the wells.

20 As the Commission is aware, the
21 availability of drilling rigs is still a problem, and because
22 of the leasehold problems that I've previously alluded to
23 and discussed in some detail, if he were to drill the first
24 one well and come back to drill the second one later, it
25 would require him to establish a legally acceptable form

1 of activity across the expiration dates of two oil and gas
2 leases, and then try to get the drilling rig back at some
3 later time.

4 Since it's his intention to drill the two
5 wells in any event, he would prefer to go ahead and drill
6 them while he's there rather than to delay and incur addi-
7 tional expense in attempting to establish a legally accept-
8 able form of activity that would perpetuate these leases.

9 It is absolutely necessary, if the leases
10 are going to be perpetuated, that he be drilling or or about
11 the 25th of this month.

12 Q. Mr. Aycock, will you now refer to what
13 has been marked for identification as Exhibit Three and re-
14 view this for the Examiner?

15 A. Cross Section A-A', the trace of which
16 was indicated on both Exhibits One and Two, illustrates the
17 entire interval that is included in the Eumont Pool desig-
18 nation, and the practices of the operators in how they have
19 completed, when the wells were completed, and what the re-
20 sults were.

21 In general, I think the indications are
22 that the initial gas flow rates were quite a bit higher
23 than they are at the present time, and this is because, of
24 course, the pressure was in most cases, was considerably
25 higher at the time of these completions than it is at the

1 present time.

2 You'll notice that all but one of the
3 wells on this cross section were drilled and completed in
4 the mid-50's. One of them was drilled and completed in
5 1937.

6 So none of this activity is recent.

7 Q Will you now refer to Exhibit Number Four,
8 your B-B' cross section, and review that exhibit for Mr.
9 Nutter?

10 A Exhibit Number Four is the west/east
11 cross section, B-B'. the trace of which was also previously
12 indicated on both Exhibits One and Two.

13 It illustrates similar data for the wells
14 included on this cross section. The Examiner will note that
15 there are three of these wells for which no logs were avail-
16 able. so schematic logs were constructed in order to illu-
17 strate the structural configuration and where the wells were
18 completed.

19 On this cross section you will note that
20 the lefthand well was completed in 19 -- late 1978. The
21 other wells, three of -- the other wells were completed in
22 the '30s; one was completed in the '40s; and the last two
23 were completed in the '50s, so only one well on this cross
24 section is -- constitutes recent activity.

25 Q Now, what conclusions can you draw about

1 the characteristics of the formation?

2 A Well, it is apparent from the practices
3 of the operators in the area that the preference has been
4 for completing in the Penrose portion of those zones that
5 are included within the Eumont Field designation in most
6 cases; however, this is probably due to the fact that the
7 quality is quite a bit higher and it is my opinion, based
8 on what has been done here, that there have not been suffi-
9 cient attention paid to the lower permeability in the zones
10 above the Penrose zone and below the Penrose, within the
11 Grayburg, Grayburg or Skelly Penrose, however you would care
12 to label it.

13 MR. NUTTER: Well, now, Mr. Aycock, this
14 second cross section, this B-B', has both of the wells which
15 are shown --

16 A Yes, sir.

17 MR. NUTTER: -- on your first exhibit in
18 the south 80-acre unit.

19 A Yes, sir.

20 MR. NUTTER: One, it looks like, had a
21 cum production of 375-million, and the other one had 535-
22 million cubic feet.

23 A Yes, sir.

24 MR. NUTTER: The first one it says T&A
25 requested. The other one it says P&A. Do you know whether

1 that first well, which is the No. 3, has been plugged and
2 abandoned temporarily?

3 A. I am not in possession of formal plugging
4 documents, if such exist, Mr. Nutter. That's the best I
5 can find.

6 MR. NUTTER: That they just requested
7 temporary abandonment.

8 A. Yes, sir.

9 MR. NUTTER: But you did ascertain that
10 the other well has been plugged and abandoned.

11 A. Yes, sir. Yes, sir, that's correct.

12 MR. NUTTER: Okay, and neither one of
13 those wells had very good cumulative production --

14 A. That's correct.

15 MR. NUTTER: Compared to most of the wells
16 in the area.

17 A. That's very correct.

18 Q. Will you now refer to what has been
19 marked Exhibit Number Five and review the data contained
20 thereon?

21 A. Exhibit Number Five, Mr. Nutter, is a
22 tabulation of information, pertinent information, for the
23 12 wells that are included on the previous exhibits. In-
24 cluded are the location of each, the completion date, the
25 initial calculated absolute open flow potential, the comple-

1 tion interval; the cumulative gas production as of January
2 1st, 1980; the estimated original gas in place where suffi-
3 cient pressure information are available to allow that esti-
4 mate to be made; the estimated ultimate gas recovery from
5 extrapolation of the stabilized decline rates that are pre-
6 sent on most of the wells; the estimated gas recovery factor;
7 and the latest shut-in wellhead pressure that we can find
8 that's been reported; and the date of that -- the year in
9 which that report was made.

10 I think, as you pointed out, Mr. Nutter,
11 that the -- except for the one very new well, the recoveries
12 on these too are abnormally low for those in this immediate
13 vicinity.

14 Based on Mr. Hartman's previous experience
15 in the area and the observation that apparently insufficient
16 attention has been paid in the past to the zones other than
17 the Penrose, it is our hope that the two projected wells will
18 obtain quite a bit better results than the two on this pro-
19 perty that have been previously produced and abandoned.

20 Q. Will you now refer to Exhibit Number Six
21 and review these for the Examiner?

22 A. Exhibit Number Six are tabulations of gas
23 production history, including the reported shut-in wellhead
24 pressures; graphs of the log of gas production as a function
25 of time; and the ratio between calculated subsurface pressure

1 and consistent compressibility factor as a function of cumu-
2 lative gas recovery, which form the basis of the estimates
3 of original gas in place where that information is available
4 for each of those wells that are included on the previous
5 exhibits and have been discussed.

6 MR. NUTTER: The wells that you were
7 talking about being on Exhibit Number Five, are they the
8 wells that are colored on Exhibit Number Two and Number One?
9 Or do they include other wells?

10 A. They include other wells as well as
11 those, Mr. Nutter.

12 MR. NUTTER: Those wells are only the
13 cross section wells that are colored.

14 A. Yes, sir, these include all of those that
15 I could find that I felt were close enough to be pertinent
16 and yield data that might be of interest to either Mr. Hart-
17 man or to this Commission.

18 MR. NUTTER: Are all the wells that are
19 on the cross sections --

20 A. Yes, sir.

21 MR. NUTTER: -- included on Exhibit --

22 A. They are if they were Eumont wells. In
23 some cases they were not -- they were not Eumont wells and
24 I don't think they're included. I'd have to -- I'd have to
25 stop and check it to be sure, but I believe that -- what I

1 did was take the same area and look for the Eumont completions,
2 current, or former Eumont completions.

3 MR. NUTTER: Okay.

4 A. We did not adhere to that in an attempt
5 to illustrate the structural situation in all cases.

6 MR. NUTTER: Okay.

7 Q. Mr. Aycock, I direct your attention to
8 what has been marked Exhibit Number Seven and ask that you
9 identify this for the Examiner.

10 A. Exhibit Number Seven are the revised
11 C-101s and C-102s for the two proposed locations and --

12 Q. Have these been filed with the Commission?

13 A. These have been filed with the Commission
14 and they are consistent with the amended application, which
15 the Commission has previously accepted in this case; i.e.,
16 the locations for both wells are now 660 feet from the west
17 line of the northeast quarter.

18 Q. Mr. Aycock, I direct your attention to
19 what has been marked Exhibit Number Eight and ask that you
20 identify this for Mr. Nutter.

21 A. Mr. Nutter, Exhibit Eight, and the following
22 exhibits, address themselves to the questions that you had
23 about the ownership of the various tracts and what the
24 status was.

25 Exhibit Number Eight is a title opinion

1 dated March 4th, 1980, by Tevis Herd, who is a member of the
2 law firm of Cotton, Bledsoe, Tighe, and Dawson in Midland,
3 which sets out the interests in the various leases, as far as
4 can be ascertained.

5 Mr. Hartman's application in this matter
6 indicated that he controlled 53 percent of the -- approxi-
7 mately 53 percent of the mineral interests under this 160-
8 acre tract. He has informed Mr. Carr and I that he now be-
9 lieves that he controls slightly over 56 percent of the
10 mineral interests underneath this tract.

11 Those tracts about which there is appar-
12 ently some, I won't say contention, but lack of agreement at
13 this point, are indicated and checked on the pages one and
14 two of this title opinion.

15 The J. C. McIntyre lease, indicated as
16 Leascher and Sullivan; the ARCO lease, indicated at the top
17 of page two; the Edith G. Socolow and A. Walter Socolow
18 lease, indicated as Isbell in parenthesis; and the Dorothy
19 Gutman lease, indicated in parenthesis as Isbell. To our
20 knowledge those four interests are those that -- about which
21 either a lack of agreement or a disagreement exists at this
22 time.

23 Q Mr. Aycock, would you now refer to Exhibits
24 Nine through Twelve and summarize the data contained in each
25 of those exhibits for Mr. Nutter?

1 A. Exhibits Nine through Twelve are compul-
2 sory pooling correspondence summaries for each of the four
3 interests that are indicated on the title opinion, which was
4 Exhibit Eight.

5 I'll be glad to go into them in any degree
6 of detail that the Examiner might require.

7 The first one refers to the Leascher and
8 Sullivan interest. You'll notice that the acreage is de-
9 scribed, the name of the parties, the interest, whether or
10 not an interest -- whether or not an offer was made to lease
11 or farmout from Mr. Hartman to the parties, the dates on
12 which contact was made by Mr. Hartman with these parties,
13 what -- when the dates were that offers to participate were
14 furnished to these parties, including a copy of an authoriza-
15 tion of expenditure, for expenditure, and the date on which
16 an operating agreement was furnished to each of the parties,
17 and the indication of when the notice of compulsory poolin
18 hearing were indicated to each of the parties, and behind
19 the front sheet are the documents that explain in detail
20 each of these categories that we've discussed, one through
21 four, on the front page.

22 Exhibit Nine applies to the Leascher and
23 Sullivan interest. Exhibit Ten applies to the ARCO interest.
24 Exhibit Eleven applies to the Edith G. Socolow and A. Walter
25 Socolow interest, indicated as the next to last, with Isbell

1 in parenthesis, and Exhibit Twelve applies to the Gutman -
2 Gutttag interest, which is indicated also as Dorothy Gutman,
3 a widow, with Isbell in parenthesis on Exhibit Eight, the
4 title opinion.

5 If the Examiner has questions, we'll be
6 glad to go into all of those. I think the documentation is
7 fairly complete and the -- I think it can be established
8 that numerous contacts have been made with all of these
9 parties by Hartman at one time or another in an attempt to
10 work out something with them, and he told me this morning
11 that he was still willing to work out anything within reason;
12 that if any of the parties to it, if it would put them in
13 a -- cause a financial hardship for them to participate in
14 this, he would be willing to make any sort of a fair business
15 arrangement with them that would remove that hardship from
16 them in preference to force pooling, if that were possible.

17 We have indications from ARCO that they
18 are -- originally -- apparently there was some misunder-
19 standing as to the timing that was involved, and ARCO has
20 now indicated to Mr. Hartman that they are able and willing
21 to work out their differences so that they can participate
22 in the activity here. Their original objection was based
23 upon the commitment to drill two wells rather than one,
24 and when Mr. Hartman explained to them what his situation
25 was, they agreed to review it and discuss it with him in

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 further detail.

2 In addition to that fact, of course, ARCO
3 was not aware that the other participants, whether they are
4 voluntary or force pooled, are they to be working interests,
5 many of them are out-of-state people who are not professional
6 oil and gas people, and it would simply be, with the prime
7 interest rate at 20 percent, and apparently going to exceed
8 that shortly, it would not be possible for Hartman to
9 finance these other interests and have to go through long-
10 winded collection procedures. It would not be a prudent
11 business decision for him to proceed without the protection,
12 either -- either agreement or the protection of the force
13 pooling statute that will assure him that there will be
14 revenues to cover these expenses.

15 Q. Mr. Aycock, was an AFE included with this
16 correspondence?

17 A. Yes, sir, I believe each of those cor-
18 respondence packages includes an AFE.

19 Q. And do the figures set forth on these
20 AFE's conform with Mr. Hartman's actual costs?

21 A. The figures that are set forth there are
22 actually for two wells that were drilled in the Jalmat area,
23 and they illustrate that the spectrum of costs that Mr. Hart-
24 man has experienced. The AFE that he actually furnished
25 them was adjusted to a 4200-foot well depth, but the ex-

1 perience on which it was based was wells that are approxi-
2 mately 34 to 3600 feet in depth.

3 It also takes account of the fact that
4 since the most recent Hartman experience, which took place
5 in March of this year, there have been -- there has been an
6 increase in the footage rate for drilling this type of well,
7 and of course, I know the Commission's aware that we had
8 a fifteen percent increase in tubular goods prices in Feb-
9 ruary of this year, also.

10 MR. NUTTER: Now this AFE you're talking
11 about, it's attached inside these --

12 A. Yes, sir.

13 MR. CARR: And it should be dated March
14 11.

15 MR. NUTTER: And it shows the total cost
16 of a producing well of \$283,200?

17 A. Yes, sir.

18 MR. NUTTER: And a dry hole of \$131,700.

19 A. Yes, sir.

20 Q. Now, Mr. Aycock, if the cost, the actual
21 costs incurred in drilling these wells differ from those
22 figures set forth on the AFE, how is this dealt with?

23 A. Mr. Hartman has agreed, and has put in
24 writing with all of the prospective people, that these cost
25 estimates are the best that he can do at this time, and that

1 the final costs will be on an actual -- that will be rendered
2 will be on an actual cost basis. If the costs are less than
3 this, then refunds will be made to each of the parties; if
4 the costs are greater than this, then, of course, each party
5 will be billed for their proportionate part.

6 Q Will you please refer to what has been
7 marked for identification as Hartman's Exhibit Number Thir-
8 teen?

9 A Hartman's Exhibit Number Thirteen is a --
10 the front page is a summary of the oil and gas leases that
11 are committed to Doyle Hartman at this time.

12 I call attention -- the Commission's
13 attention to the fact that the Fluor Oil and Gas Corporation
14 lease expires on June 8th, 1980; the General Crude Oil Com-
15 pany lease expires on May 10th, 1980, and there are -- in
16 both of those leases, plus the Pickens lease, which does not
17 expire for two years, and the Texaro lease, which does not
18 expire for almost another year, all contain the Pugh clause
19 that requires release, both horizontal and vertically, at the
20 end of the primary term for those interests not dedicated to
21 a producing well at that point in time. The only way of
22 perpetuation would be operations. As I previously stated,
23 it is our opinion that were we to do that, to drill one well
24 and then come -- we'd come back and then we'd have to request
25 an infill finding from this Commission.

1 We feel like it would be more prudent,
2 with the situation the way it is, simply to ask for the two
3 wells and protect the entire lease at this point, as we
4 would prefer. Each of the leases is somewhat self-explana-
5 tory. I'll be glad to go into whatever detail the Commission
6 may require. There's full documentation here.

7 Q. Mr. Aycock, what is the standard spacing
8 for the Eumont Gas Pool?

9 A. Let me read the -- from the Eumont Gas
10 Pool Rules, on the Eyrum, July, 1960 Eyrum, page 46, Rule
11 5-A says, a standard gas proration unit in the Eumont Gas
12 Pool shall be 640 acres.

13 Q. Generally speaking, in fact, how is the
14 pool developed?

15 A. The pool is developed on -- the assignments
16 to the wells vary all the way from 40 acres up to 640; most
17 of them are 320 acres or less.

18 Q. For proration purposes, what is the base
19 of a standard unit?

20 A. I believe that at the present time the
21 Commission is using 160-acre unit as the basis for alloca-
22 tion of the available gas market among the wells.

23 Q. And this is a prorated pool?

24 A. Yes, sir, it is.

25 Q. So the fewer the acres in the unit, the

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 smaller the allowable.

2 A. That's correct.

3 Q. Would you please refer to what has been
4 marked for identification as Hartman's Exhibit Thirteen-A
5 and just briefly state what that shows?

6 A. Exhibit Thirteen-A is a copy of a standard
7 land map on a 1-inch equals 4000-foot scale, which shows the
8 traces of the cross sections that were Exhibits Three and
9 Four, the lease in question, and shows the proration units
10 which are assigned to the immediately adjacent Eumont wells.

11 I think the Commission will notice that
12 we have everything from 80 acres up to 320 acres. We have
13 two 320-acre units that are assigned, one of which is a
14 regular 320-acres, and the other, which is a most irregular
15 shaped 320-acre proration unit.

16 Q. Now, Mr. Aycock, I notice that the name
17 of Mr. Isbell appears written in on the title opinion, and
18 so I would like to ask you a couple of questions related to
19 this.

20 Does the pooling application that you are
21 proposing today affect acreage currently leased by Mr. Isbell?

22 A. Yes, sir, it does.

23 Q. And has he joined with Mr. Hartman in
24 the drilling of the well?

25 A. Not at this time.

1 Q In regard to his acreage, are there parti-
2 cular problems which cause you concern as you proceed with
3 this matter?

4 A Well, it is our understanding that the
5 oil and gas lease which Mr. Isbell took from the estate
6 of Dorothy Gutman was executed by only two of the co-executors
7 and not all three of them.

8 Q At this time would you -- I think it would
9 be helpful to refer to what has been marked Exhibit Number
10 Fourteen.

11 A Exhibit Number Fourteen is the Gutman
12 Family Mineral Ownership under the northeast quarter of
13 Section 13, Township 21 South, Range 36 East, labeled for
14 identification as Exhibit Fourteen, Mr. Nutter, and this is
15 an attempt to make something that is quite confusing, hope-
16 fully, somewhat less confusing.

17 The two leases that are indicated under
18 Isbell are outlined in red, I believe, on your copy. One
19 of them is under the middle branch, which goes through
20 Benjamin Gutman, deceased, Dorothy Gutman, deceased, Dorothy
21 Gutman Estate, Co-executors Charles Gutman, BettyG. Gutttag,
22 and Jack Gutttag.

23 The other one is the Edith G. Socolow
24 and A. Walter Socolow as trustees, which comes through the
25 righthand branch, which is labeled Louis Gutman, deceased,

1 and comes on down to a trust agreement, which is filed of
2 record, but at the time Mr. Hartman had the records checked
3 in Lea County, the Rodanjo Trust, there had not been any
4 documents. It is referred to but there had not been any
5 documents, nor have there been any probate filed of record
6 in Lea County. We simply know that it apparently exists be-
7 cause of its mention in one of the other documents.

8 Until the apparent title deficiency, which
9 establishes the complete chain of title under the -- between
10 the trust agreement and the Rodanjo Trust is established,
11 and can be established, with complete filings that have been
12 put of record in Lea County, then Mr. Hartman doesn't know
13 exactly who he may be dealing with, either as a co-working
14 interest owner, a pooled interest owner, or whoever.

15 MR. NUTTER: Well, now you don't mean what
16 you say here, I don't think, Mr. Aycock.

17 It says not -- referring to this Rodanjo
18 Trust, not filed of record until 3-17-80. You mean not
19 filed of record as of.

20 A. Yes, sir.

21 MR. NUTTER: It wasn't filed on that date.

22 A. That's right.

23 MR. NUTTER: So it's as of.

24 A. I don't believe that there are complete
25 filings anywhere that establish the succession of title past

1 this trust agreement. If there are, Mr. Hartman's title
2 attorney has not been able to be privy to them and does not
3 have them in his possession.

4 Q Now, Mr. Aycock, isn't the point of this
5 exhibit simply that even if you could get everyone to volun-
6 tarily come in, there are certain things in terms of the title
7 that might trigger a situation where after the well is
8 spudded you would wind up with some interest not committed?

9 A I think the only -- the only protection
10 that -- as I said earlier, Mr. Nutter, we didn't come up
11 here lightly to burden you with this thing. We came when
12 there appeared that there was no alternative, either lose
13 the oil and gas leases or come request the Commission to
14 accept it as being applicable under the forced pooling
15 statute, as protection. Hartman is willing to take the
16 risks that are associated with the entire venture and go for-
17 ward with it under any reasonable approach, either under the
18 forced pooling or under a voluntary arrangement, either way
19 is fine with him. Obviously he'd rather do it under a volun-
20 tary communitization type thing than he had to do it under
21 a situation where we have to force pool them. But the fact
22 that the leases are expiring, the fact that the rig avail-
23 ability will be a problem, and combined with the fact that
24 both of the expiring leases contain the Pugh clause that
25 necessitates release of acreage not assigned to producing

1 wells at the expiration of the primary terms, he felt that
2 the only way he could proceed as a prudent operator was to
3 come here and request this Commission to take action.

4 Q Mr. Aycock, will you now refer to what
5 has been marked for identification as Hartman Exhibit Number
6 Fifteen and explain to Mr. Nutter what this is?

7 A Hartman Exhibit Number Fifteen is a copy
8 of the letters that were furnished each of the parties to
9 this hearing by Mr. Carr by certified mail; included are
10 copies of the return receipts that show that they were each
11 received.

12 I might call the Examiner's attention to
13 the fact that the interests that are not controlled by Hart-
14 man, and which are of concern to him, which we've just pre-
15 viously discussed, in addition in those summary packages of
16 correspondence which we've furnished you as our -- as those
17 Exhibits Nine, Ten, Eleven, and Twelve, also contain -- will
18 show proof that Hartman personally, in addition to Mr. Carr,
19 furnished all of those parties notice of the hearing and
20 there are also copies of the return receipts showing that
21 they were received.

22 So all of the parties have been notified
23 at least once and some have been notified twice about this
24 hearing.

25 Q Mr. Aycock, are you prepared to make a

1 recommendation to the Examiner as to the risk factor which
2 should be assessed against those who do not participate in
3 the drilling of the well?

4 A. Yes, sir, I think based upon the -- upon
5 the demonstrated facts and the Commission's own observation
6 that the recoveries from the previously existing wells
7 located on this tract were below average for the area, that
8 the maximum risk factor that is allowed under the statute,
9 200 percent, should be applicable to this situation.

10 Q. Have you made an estimate of the overhead
11 and administrative costs which would be incurred while
12 drilling and producing these wells, if in fact you do ob-
13 tain --

14 A. Yes, sir, and --

15 Q. -- wells capable of production?

16 A. Mr. Hartman submitted a model form oper-
17 ating agreement to each of the potential participants, as
18 was indicated on the -- in the summaries of correspondence
19 that have been furnished, and in that connection the over-
20 head rates for drilling wells was specified as \$3000 per
21 month and the producing well rate was classified as \$375
22 per month.

23 Q. Now do these figures conform with Mr.
24 Hartman's actual costs?

25 A. No, they do not. They recover about

1 2/3rds of what Mr. Hartman can, as nearly as he can ascertain,
2 what his true costs are in this connection.

3 Q Do you recommend that these figures be
4 incorporated into any order which results from this hearing?

5 A Yes, sir, I do.

6 Q And does Mr. Hartman request to be named
7 the operator?

8 A Yes, sir, he does. That's included in
9 his application.

10 Q When will a rig become available for the
11 drilling of these wells?

12 A Between April 15th and April 25th, de-
13 pending upon the outcome of this hearing and when the Com-
14 mission can act.

15 Q And so you are requesting that the order
16 that results from this hearing be expedited?

17 A Yes, sir, I am.

18 Q In your opinion will granting this appli-
19 cation be in the interest of conservation, the prevention
20 of waste, and the protection of correlative rights?

21 A Yes, sir, I do. I think that the low
22 productivity of the surrounding wells indicates that a large
23 portion, if not all of the gas that remains -- remaining gas
24 that underlies the tract in question in the Eumont zones,
25 would probably not be recovered at all, and it would cer-

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 tainly not accrue to the benefit of the mineral owners under
2 this tract were these two wells not to be drilled.

3 Q Were Exhibits One through Fifteen either
4 prepared by you or have you reviewed them and can you testify
5 as to their accuracy?

6 A Yes, sir, I have. They were prepared,
7 part of them were prepared by me; part of them were prepared
8 by Mr. Hartman's staff under my supervision.

9 MR. CARR: At this time, Mr. Examiner,
10 we would offer Applicant's Exhibits One through Fifteen.

11 MR. NUTTER: Exhibits One through Fifteen
12 will be admitted in evidence.

13 MR. CARR: I have nothing further on
14 direct.

15
16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. Aycock, back to the owners.

19 A Yes, sir.

20 Q The application stated that Fluor Oil and
21 Gas Corporation owned 1/16th. Has Fluor consented to the
22 drilling of the wells?

23 A Yes, sir, that's one of the leases that
24 is shown under the tabulation as now controlled by Hartman.
25 It's the second lease on the -- on Exhibit Thirteen.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 It expires on June 8th, 1980.

2 Q Okay, this is a list of the ones that
3 are committed, then.

4 A Yes, sir.

5 Q Okay. Gary Leascher and Cynthia Leascher,
6 and Michael Sullivan and Gail Sullivan are listed as owning
7 1/16th. Are they committed?

8 A No, sir, they are not. Mr. Hartman, as
9 indicated on Exhibit Nine, Mr. Hartman has been in correspon-
10 dence with them since the 28th of February of this year in
11 reference to this interest. Mr. Hartman or Mr. Davidson,
12 who is his business associate.

13 Q Okay. The application lists Texaro Oil
14 Company as owning 1/40th of the 160.

15 A Yes, sir, that's the final lease indi-
16 cated on Exhibit Thirteen as now committed to Mr. Hartman.

17 Q Are these leases, this Texaro and the
18 Fluor leases, did they assign those leases to Hartman or
19 did they join in the drilling of the wells?

20 A No, they assigned the leases to Hartman.

21 Q So he's the working interest owner, then.

22 A Yes, sir.

23 Q In their stead?

24 A Yes, sir, that's correct.

25 Q Okay, then the application lists under D,

1 Betty Gutttag and Jack Gutttag and Charles Gutttag.

2 A Yes, sir.

3 Q Individually and as co-executors under
4 the will of Dorothy Gutman, deceased.

5 A Yes, sir.

6 Q Okay, that's the middle column on Exhibit
7 Fourteen.

8 A Yes, sir, and that's covered under Exhibit
9 Twelve, the detailed correspondence that applies to that
10 interest is covered completely under Exhibit Twelve.

11 Q Is it leased?

12 A No, sir. It's not leased and it's not
13 committed. Mr. Hartman has indicated his willingness to do
14 either or both, whatever they prefer. He's offered to lease
15 under the same terms as other people have offered him, in-
16 cluding the professional oil and gas people, or he's indi-
17 cated to have them join, whichever way they'd prefer to do.

18 Q Okay. Then E is Edith Socolow and A.
19 Socolow, A. Walter Socolow.

20 A Yes, sir.

21 Q Now is that one leased?

22 A No, sir, the same situation prevails
23 there. He's had no answer.

24 Q That's the righthand column of the Ex-
25 hibit Fourteen.

1 A. Yes, sir, and that's covered under Exhibit
2 Eleven, which is the complete correspondence summary of
3 everything that pertains to that interest, as far as Mr.
4 Hartman is concerned.

5 Q. Now, are D and E on the application, do
6 they own varying shares separately or do they together own
7 28/120ths and it never has been split up?

8 Your Exhibit Fourteen would indicate that
9 the righthand column and the center column of the family
10 tree each own 23 percent.

11 A. Let me look, Mr. Nutter, just a minute,
12 please. Let me find that.

13 The filings, the application, the indi-
14 cated interests would be superceded by Exhibit Fourteen,
15 which is the latest information that we have.

16 Q. Okay. Now, I have a correspondence from
17 James Isbell, dated March 24th, in which he says he's ob-
18 tained oil and gas leases of working interest owners D and
19 E, who would be Betty, Jack, and Charles Gutttag, and Edith
20 and A. Walter Socolow, and that he intends to join in the
21 drilling of the wells.

22 A. That was Mr. Hartman's impression, too,
23 but as of this date he has received -- not received the re-
24 turn of any of the -- the assigned AFE or any of the corres-
25 pondence that he directed to Mr. Isbell in an attempt to get

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

- 1 him to join as he had indicated that he would.
- 2 Q When did he send it to Mr. Isbell?
- 3 A Well, let's look back on the --
- 4 Q And when did Isbell obtain these leases,
- 5 do you know?
- 6 A The lease that we have seen that's of
- 7 record is dated March 17th, 1980. It includes only two of
- 8 the co-executors. It includes Betty G. Gutttag and Jack
- 9 Gutttag, and does not include Charles Gutman as a lessee.
- 10 Q You mean Charles Gutttag.
- 11 A No, Charles Gutman is the proper name.
- 12 Mrs. Gutttag is his sister. Her name is Betty Gutttag Gutman
- 13 Betty Gutman Gutttag, and his name is Charles Gutman.
- 14 Q Oh, the application must be in error
- 15 then because it says Betty G. Gutttag and Jack Gutttag and
- 16 Charles Gutttag, individually, and as co-executors under the
- 17 will of Dorothy Gutman.
- 18 A It is -- it is --
- 19 Q And it should be Charles Gutman.
- 20 A It should be Charles Gutman, as indicated
- 21 on Exhibit Fourteen.
- 22 Q Okay. And Isbell got a lease from whom?
- 23 A He got a lease from --
- 24 Q Betty Gutttag?
- 25 A Betty Gutttag and Jack Gutttag, her hus-

1 band, who are two of the three co-executors of the --

2 Q But he doesn't have one from Charlie
3 Gutman.

4 A Charles Gutman, that's correct, and Mr.
5 Hartman's information is that Mr. Gutman is -- Charles Gutman
6 is somewhat upset about this matter and is considering ap-
7 propriate action; whether or not he will do it is of no con-
8 cern to Hartman, but what concerns him is if he gets in and
9 starts drilling a well thinking he has a lease and it turns
10 out that he doesn't have a lease, then what does he do.

11 Q Yeah, so if there's a chance Isbell's
12 lease doesn't include all the interests --

13 A That's correct. It depends -- I don't
14 know what the laws having to do with estates and successions
15 in the State of New York are, and Mr. Hartman doesn't either,
16 but he doesn't want to have to get into it if he can avoid
17 it, if at all possible.

18 Mr. Isbell has been -- has been notified
19 between March 31st, on March 31st and April 1st of this
20 year, has been furnished AFE's, operating agreements, and
21 notice of compulsory pooling.

22 Q Now which one is --

23 A That's Exhibit Twelve.

24 Q Exhibit Twelve?

25 A Yes, sir.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 Q Exhibit Twelve.

2 A You'll notice on the correspondence sum-
3 mary on the face of Exhibit Twelve, under number two, it
4 says furnished offer to participate with copy of corresponding
5 AFE.

6 Q Right.

7 A Down here it says 4-1-80, James H. Isbell
8 as possible lessee, and has an asterisk. Down at the bottom
9 it says lease from Betty and Jack Gutttag as independent
10 co-executors under the will of Dorothy Gutman, deceased,
11 now being legally contested in the State of New York by
12 Charles Gutman, also a co-executor and 50 percent benefi-
13 ciary under the will of Dorothy Gutman.

14 That's the best information that Mr.
15 Hartman has been able to obtain.

16 Q Okay. And what is being legally contested,
17 the lease?

18 A The fact that only two of the -- that the
19 lease was executed by only two of the co-executors, not all
20 three.

21 Q Okay. So Charlie Gutman is contesting
22 the lease that Betty and Jack gave Isbell.

23 A Yes, sir, that's correct.

24 Q Okay. Now, on the AFE you stated that
25 this represents Mr. Hartman's experience --

1 A Yes, sir.

2 Q -- drilling Jalmat wells and it's --

3 A Adjusted to a 4200 foot depth.

4 Q -- adjusted to the 4200 foot depth for the
5 Eumont.

6 A That's correct, sir.

7 Q And figures are given there, I think it
8 was \$283,000 for a --

9 A Yes, sir.

10 Q -- producer.

11 A As you're probably aware, Mr. Nutter,
12 Mr. Hartman does several things that all operators don't do.
13 Like he attempts to cement the production casing all the way
14 back to the surface, if at all possible. He believes this
15 is prudent for both the preservation of the wellbore and
16 the prevention of any untoward subsurface fluid migration.
17 That adds slightly to the cost, but he also believes that
18 it has enabled him to achieve, not only greater success in
19 what he's done with regard to stimulation, but greater pro-
20 tection for himself, for the mineral owners, and for anybody
21 else that might be affected by inter-zone fluid migration.

22 Q I notice he's got \$7000 for legal and
23 regulatory fees on there, too.

24 A Well, Mr. Carr and I have to eat, too.

25 Q He gets involved in these things.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. NUTTER: Does anyone have any questions
2 of Mr. Aycock? He may be excused.

3 Do you have anything further, Mr. Carr?

4 MR. CARR: Nothing further, Mr. Nutter.

5 MR. NUTTER: Does anyone have anything
6 they wish to offer in Case Number 6846?

7 We'll take the case under advisement.

8 Oh, yes, sir?

9 MR. LEASCHER: It's just that Mr. Sullivan
10 and myself are here and we --

11 MR. NUTTER: State your name, please.

12 MR. LEASCHER: Gary Leascher, and we have
13 tried to work with Mr. Hartman on this thing and our main
14 objection and for not signing the operating agreement that
15 he sent us was the two wells at the same time on one oper-
16 ating agreement. And I just want to make a point of that,
17 and that's all. I mean I'm not an attorney and I've got --

18 MR. NUTTER: In other words, he's got
19 both wells covered under one operating agreement.

20 MR. LEASCHER: Well, and we want some time
21 after the first well, and I don't know that it is our fault
22 that he took leases that have Pugh clauses and that he took --

23 MR. SULLIVAN: Short term leases.

24 MR. LEASCHER: And, you know, why we are
25 responsible for that.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. NUTTER: And you feel that you should
2 have separate operating agreements --

3 MR. LEASCHER: Well, for each well.

4 MR. NUTTER: -- for the two wells?

5 Well, --

6 MR. LEASCHER: I mean after the first one
7 is completed, or if it is completed, we have the right or
8 option then to decide what you're going to do on the second
9 one, or in the first one being dry. I mean if the first one
10 is dry.

11 MR. NUTTER: Your ownership is identical
12 through the two units, isn't it?

13 MR. LEASCHER: Yes. And I have four more
14 years on my lease and I think Mr. Hartman, I can appreciate
15 his side of the thing, but I don't have to do that. I mean
16 it's not my fault that he has those Pugh clauses and things
17 in there that force him to hurry this thing through, and I
18 tried to work with him on this, again except for this -- that
19 one point of the -- I'd like separate operating agreements.

20 MR. NUTTER: And just like to see more
21 time between the two wells --

22 MR. LEASCHER: Yes.

23 MR. NUTTER: -- to consider -- to evaluate
24 the first before proceeding with the second.

25 MR. LEASCHER: That's right. And I think

1 his costs are extremely high. By checking with other oper-
2 ators in Midland, he's got \$1650 for drilling cost rate and
3 I checked last week with Cactus Oil and they say it's \$1300
4 right now, and that's just one part of it, and wants us to
5 put up all our money up front for two wells and there might
6 be 120 days in between the first and the second, according
7 to the operating agreement, and we're tying up all our money
8 for 120 days.

9 MR. NUTTER: Is that 120 days after com-
10 pletion of the first prior to commencement of the second?

11 MR. LEASCHER: He never said. It's kind
12 of ambiguous.

13 MR. NUTTER: Do you know, Mr. Aycock,
14 what the score is on --

15 MR. AYCOCK: The score is that if he can
16 get the rig to drill the second well, he wants to drill it
17 as soon as possible. He would prefer to go to it immediately,
18 but he can't guarantee that he'll be able to do that. The
19 drilling contractor has other --

20 MR. LEASCHER: The reason he wants to do
21 that is because he's got Pugh clauses on -- and I didn't
22 receive my operating agreement until April the 4th, which
23 was last Thursday.

24 MR. NUTTER: And he was wanting you to
25 put up your money -- your share of the money for both wells?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. LEASCHER: Yes.

2 MR. NUTTER: How about that, Mr. Carr?

3 MR. CARR: Well, I'll tell you, Mr. Nutter,
4 it looks to me like what we have here is a situation where
5 if we look at the statutes we're proceeding under, we ob-
6 viously have a situation where voluntary agreement has not
7 been reached. In terms of whether you could get two separate
8 operating agreements, I have no information on that, but it
9 does appear that there's a 30-day period even after the order
10 comes down within which negotiations can take place before
11 the actual pooling provisions trigger, and that during that
12 period of time I think these problems are matters which very
13 likely can be resolved. But I don't have any particular
14 information on why they're in one operating agreement as
15 opposed to two.

16 MR. NUTTER: It would appear it might be
17 more reasonable, although Mr. Hartman wants to proceed im-
18 mediately like that with the drilling of the second well,
19 despite -- regardless of the outcome of the first well.

20 MR. CARR: That's correct.

21 MR. NUTTER: It might be more prudent
22 for someone else to want to take a look and see if they're
23 willing to participate in the second well.

24 Yes, sir.

25 MR. LUBKE: Royce Lubke, ARCO Oil and

1 Gas Company.

2 Our first correspondence with Mr. Davidson
3 at that time was May of last year, and in June of 1979 we
4 did approve the drilling of a well in that northeast quarter,
5 and we have evidence of that from a letter here from G. Payne
6 Akins (sic) our joint interest superintendent, and since that
7 time, as far as I know, we haven't received much corres-
8 pondence from Mr. Hartman or Mr. Davidson until we received
9 these two AFE's for that northeast section, northeast quarter
10 section, on March 12th, 1980. And we do intend to participate
11 on the well, but we would also like to see the results of
12 the first well prior to drilling the second well.

13 MR. NUTTER: Prior to commencement of the
14 second well.

15 MR. LUBKE: So essentially we do object
16 to drilling one well right after the other, and there's some
17 items in there in the joint interest agreement which we
18 don't like.

19 MR. NUTTER: You mean some monetary
20 values?

21 MR. LUBKE: No, just the fact that it's
22 one well right after the other.

23 MR. NUTTER: Oh, I see.

24 MR. LUBKE: We feel like the wells should
25 be drilled up there and we're willing to go along with it,

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 but, well, we also feel like we've kind of been left in the
2 dark here for some amount of time; caught us kind of off
3 guard.

4 MR. NUTTER: Now, Mr. Aycock --

5 MR. LUBKE: I do have an approved AFE
6 from our District Manager as of last June to drill the well
7 up there.

8 MR. NUTTER: Well, now, Mr. Aycock, if
9 the whole 160 acres were dedicated to the well, this would
10 inconvenience Hartman to the extent that he'd have to have
11 an infill finding for the second well.

12 MR. AYCOCK: Well, worse than that, Mr.
13 Nutter, he'd have to re-advertise it, I think, and come back
14 here before you. By the time we could do that, our leases
15 would probably be in worse jeopardy than they are now.

16 MR. NUTTER: Well, if you had the first --
17 if you had the first well drilled, if you had the first well
18 drilled, the entire 160 would be participating and all in-
19 terests would be covered, wouldn't they?

20 MR. AYCOCK: Yes, sir, they would, and
21 then we'd have to -- I think we'd have to come back to you
22 and request an infill on the second one.

23 MR. NUTTER: You'd have to have an infill.

24 MR. AYCOCK: Yes, sir. We would prefer
25 to avoid that, and the problem with Hartman is not, I don't

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 think with ARCO we have any -- we have any difficulty, but
2 he doesn't know who he's dealing with and what their financial
3 capabilities are and whether they're going to be able to pay,
4 and with credit controls in force and interest rates in ex-
5 cess of 20 percent, and as a consequence, all the suppliers
6 are virtually demanding settlement in full of accounts with-
7 in 30 days. They have to because their profit margin won't
8 allow them to carry. And Hartman is concerned that he'll get
9 into a situation where some of the people will choose not to
10 pay and he'll be left without either owning the interest;
11 he'll be faced with materialmen's suits, or workmen's suits,
12 or liens, as an option to him paying the bills for the whole
13 thing, and that's not a prudent business situation from his
14 standpoint.

15 He wants to know that he's protected and
16 that either he's got the interest or that the people involved
17 can and will pay their bills on time. And as far as requesting
18 the money in advance, I do some of the same type of work
19 myself, and unless the people have a history with me and I
20 know they can and will pay, I do exactly the same thing. We
21 don't turn a tap till the money is in the bank.

22 MR. LEASCHER: Is that for two wells?

23 MR. AYCOCK: You better believe it. I've
24 turned a deal for four and we didn't turn a tap till they
25 were all in the bank for all four of them. That came out

1 to in excess of \$800,000 bucks. We did it in December.

2 MR. NUTTER: Well, of course, the compul-
3 sory pooling statute contemplates a person not participating
4 and putting up his money.

5 MR. AYCOCK: Right.

6 MR. NUTTER: You're going to have to
7 carry him in that instance, aren't you?

8 MR. AYCOCK: But we also -- he's willing
9 to take the risk if he knows that whatever interest comes
10 he will get -- he will get a reasonable payoff for taking
11 the risk and he will get the production income, but if he
12 winds up with -- we go into this thing and we don't have it
13 all straightened out, and people say yeah, I'm going to go,
14 and then we get down to division order time, Hartman's got
15 100 percent of the bills and only part of the interest, and
16 that's not a prudent business situation.

17 I don't know the Socolows and the Gutmans
18 and he doesn't either, and his attorney advises him that
19 he'd be running a dire risk to get into this thing without
20 some protection, and the only kind of protection that's
21 available is to come before this Commission and request the
22 application of the forced pooling statute.

23 MR. NUTTER: Well, I can see -- I can see
24 the logic of that forced pooling. It's just this progression
25 from one well to the next without some time to evaluate. I

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 think Mr. Leascher has a valid point there.

2 MR. AYCOCK: Well, if he could have ob-
3 tained longer term leases he would have been delighted to,
4 but he did the best he could and that was all he could get,
5 and he's willing to drill them, he personally with his 56
6 percent interest is willing to stand up and drill two wells
7 bang-bang, and if the others don't, then that constitutes --
8 I guess that constitutes a disagreement between them.

9 MR. LEASCHER: If we had any amount of
10 time. I'm just talking about putting it all up front.

11 MR. AYCOCK: As you're aware, Mr. Nutter,
12 kind of the same situation occurred in that -- in the other
13 controversy that we had in the Eumont Pool with Texaco
14 several months ago, where Hartman was forced to drill a
15 second well before the second one was properly evaluated,
16 and it turned out there it was a dry hole, and he's still
17 willing to go ahead and drill two here and accept that risk.
18 And you know, if the -- if people don't want to join, then
19 he's willing to accept the additional risk if there's any
20 kind of a business incentive for him to do so, and go ahead.
21 He's willing to lease; he's willing to farm out; he's willing
22 to purchase; he's willing to do anything that's reasonable
23 to get the thing done.

24 MR. SULLIVAN: He's never made a farm out
25 attempt with me.

1 MR. AYCOCK: Well, you'll have to dis-
2 cuss that with him.

3 MR. NUTTER: Does anyone have anything
4 further in Case Number 6846?

5 Take the case under advisement.

6

7 (Hearing concluded.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

REPORTER'S CERTIFICATE

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

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete and correct transcript of the hearing held before
the Oil Conservation Division of the State of New Mexico, on
heard by me on 4/9 1980, 6846.

[Signature], Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Doyle Hartman for two) CASE
compulsory poolings, two non-standard) 6846
gas proration units, and two unortho-)
dox well locations, Lea County, New)
Mexico.)

And)

In the matter of Case No. 6846 being) CASE
amended to reflect that the loca-) 6846
tion for the unorthodox location of) Amended
the well on the second unit is 330)
feet from the north line and 2310)
feet from the east line of Section)
13, Township 21 South, Range 36)
East, Lea County.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL & BLACK P. A.
Jefferson Place
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

WILLIAM P. AYCOCK

| | |
|---------------------------------|----|
| Direct Examination by Mr. Carr | 4 |
| Cross Examination by Mr. Nutter | 35 |

E X H I B I T S

| | |
|--|----|
| Applicant Exhibit One, Plat | 7 |
| Applicant Exhibit Two, Plat | 12 |
| Applicant Exhibit Three, Cross Section | 14 |
| Applicant Exhibit Four, Cross Section | 15 |
| Applicant Exhibit Five, Tabulation | 17 |
| Applicant Exhibit Six, Tabulation | 18 |
| Applicant Exhibit Seven, C-102s & C-101s | 20 |
| Applicant Exhibit Eight, Title Opinion | 20 |
| Applicant Exhibit Nine, Summary | 21 |
| Applicant Exhibit Ten, Summary | 21 |
| Applicant Exhibit Eleven, Summary | 21 |
| Applicant Exhibit Twelve, Summary | 21 |
| Applicant Exhibit Thirteen, Documents | 26 |
| Applicant Exhibit Thirteen-A, Documents | 28 |
| Applicant Exhibit Fourteen, Chart | 30 |
| Applicant Exhibit Fifteen, Letters | 32 |

1 MR. NUTTER: We will call next Case Num-
2 bers 6846, two cases here, the original case and the amended
3 case.

4 MR. PADILLA: In the matter of Case
5 Number 6846 being amended to reflect that the location for
6 the unorthodox location of the well on the second unit is
7 330 feet from the north line and 2310 feet from the east
8 line of Section 13, Township 21 South, Range 36 East, Lea
9 County; and application of Doyle Hartman for two compulsory
10 poolings, two non-standard gas proration units, and two
11 unorthodox well locations, Lea County, New Mexico.

12 MR. CARR: May it please the Examiner,
13 I am William F. Carr, Campbell and Black, P. A., appearing
14 on behalf of the applicant.

15 I have one witness who needs to be sworn.

16
17 (Witness sworn.)
18

19 WILLIAM P. AYCOCK
20 being called as a witness and having been duly sworn upon
21 his oath, testified as follows, to-wit:
22

23 DIRECT EXAMINATION

24 BY MR. CARR:
25

1 MR. CARR: Initially, Mr. Examiner, I
2 would note that Conoco had expressed objection to the loca-
3 tion of the wells as advertised. We have agreed with Con-
4 tinental to move the wells to a more standard location and
5 we request permission to go forward with the case now with
6 the two wells located as follows: One 330 feet from the
7 north line, 1980 from the east line; the other, 1650 from
8 the north line and 1980 from the east line.

9 The net affect of this change is to move
10 the wells 660 feet from the offsetting property.

11 MR. NUTTER: Okay. Now, the first well
12 which was to be drilled 330 from the north and 2310 from
13 the east, will now be drilled what?

14 MR. CARR: 330 from the north and 1980
15 from the east.

16 MR. NUTTER: And the other well was to
17 be drilled 1650 from the north and 2310 from the east, and
18 it will be drilled what?

19 MR. CARR: 1650 from the north and 1980
20 from the east line.

21 MR. NUTTER: So while they're still not
22 orthodox locations, they are less unorthodox than they were.

23 MR. CARR: That is correct. They have
24 been moved directly to the east 330 feet away from the
25 Continental property.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. NUTTER: Okay, we'll consider the application amended to that affect, then.

Q Will you state your name and place of residence?

A William P. Aycock, Midland, Texas.

Q By whom are you employed and in what capacity?

A By Doyle Hartman in connection with the application under Case Number 6846.

Q Have you previously testified before this Commission, had your credentials accepted and made a matter of record?

A Yes, sir, I have.

Q Are you familiar with the application in this case?

A Yes, sir, I am.

Q Were you previously qualified as a petroleum engineer?

A Yes, sir, I have been.

MR. CARR: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Aycock, will you briefly state what Mr. Hartman is seeking with this application?

1 A. Mr. Hartman is seeking two non-standard
2 proration units, gas proration units, for the property that
3 is described as the northeast quarter of Section 13, Town-
4 ship 21 South, Range 36 East, in Lea County, New Mexico,
5 which is within the boundaries of the Eumont Pool.

6 He further seeks compulsory pooling for
7 these two non-standard gas proration units, and he seeks the
8 consideration for the costs of drilling and completing the
9 wells and allocation of the cost, as well as operating
10 charges and cost of supervision.

11 Also, he requests in his application that
12 he be designated as the operator of the wells and a charge
13 for risk involved in drilling these wells.

14 Q. Mr. Aycock, will you refer to what has
15 been marked for identification as Mr. Hartman's Exhibit
16 Number One and review the information contained thereon?

17 A. Exhibit Number One is a well and ownership
18 plat of the 9-section block that includes Section 13, Town-
19 ship 21 South, Range 36 East, and shows the existing and
20 former nearby Eumont wells and the proposed locations.

21 I would call the Examiner's attention
22 to the fact that the locations that are shown are actually
23 marked at the locations that they were originally applied
24 for and not as this amended application has been accepted.

25 MR. NUTTER: And each of these locations

1 moves 330 --

2 A Yes, sir.

3 MR. NUTTER: -- feet to the east.

4 A It makes them 660 feet immediately east
5 of the west line of the northeast quarter.

6 It's also shown on the Exhibit Number One
7 are the cross section traces that will be subsequently pre-
8 sented as exhibits.

9 Q Now, Mr. Aycock, are the wells marked
10 in red, are those Eumont completions?

11 A They either are or were. Some of them
12 are no longer active.

13 Q Are the Eumont wells that offset the two
14 proposed units what you would characterize as good wells,
15 or were they good wells?

16 A They were at one time, but in general,
17 the production rates are quite low and the decline rates
18 are also quite low at the present time.

19 Q And the two wells indicated in the north-
20 east quarter of this section by the red dots are presently
21 abandoned?

22 A Yes, sir. They were originally drilled
23 and completed by Getty Oil Company, which has abandoned
24 the lease and which has furnished Mr. Hartman an appropriate
25 document.

1 Q Why is Mr. Hartman proceeding with both
2 of these projects at one time?

3 A There basically are two reasons. Number
4 one, it is Mr. Hartman's opinion, based upon the studies
5 that he has done and those that I have assisted him in
6 doing, that two wells will be required to drain the remaining
7 Eumont gas reserves from beneath the property; the fact that
8 he has some of the numerous oil and gas leases that cover
9 the property, which will be presented in detail at a later
10 time during this testimony. There are two of those leases
11 that expire in May of 1980. There is also a problem that
12 concerns some of the other interests that are not controlled
13 by Mr. Hartman, in that he has requested the other interests
14 to either join or farmout or do something, and at this time
15 has received no reply to his request. In the absence of an
16 affirmative reply, Mr. Hartman must consider that there is
17 a disagreement that presumably would come under the forced
18 pooling statute here, and if he were to drill only one well,
19 these oil and gas leases, several of them, as will be fur-
20 ther explained later, contain clauses in them that require
21 horizontal and vertical release of the acreage not dedicated
22 to a producing well at the expiration of the primary term.

23 Were he to drill one well and then come
24 back and drill another, he would have to have his rig
25 scheduling so that the second well could be spudded across

1 the expiration date of the two oil and gas leases involved,
2 or he would have to -- have had to have advertised as a
3 160-acre location or now amend and ask that it be re-adver-
4 tised for another hearing, in which case it would be re-
5 quired that he come back to this Commission for an infill
6 finding for the second well.

7 Because certain of the parties that con-
8 trol leases that are not -- or a portion of this property
9 that is not controlled by Mr. Hartman, are people from out-
10 of-state, who are not professional oil and gas people, and
11 who cannot, apparently cannot make up their minds whether
12 they wish to join or not. Mr. Hartman feels that he cannot
13 undertake the additional financial risk of financing not
14 only his portion of the wells but some additional portion
15 of those that apparently cannot make up their minds without
16 the protection of the forced pooling statute would offer
17 him.

18 In addition to that, he understands that
19 there is some internal friction among certain of the parties
20 and that it is possible that legal action could be taken
21 among them to -- that would influence the ownership here
22 and cause him problems in being able to drill and operate
23 the wells in an orderly manner.

24 Mr. Hartman comes before this Commission
25 as a last straw situation. He's been working on this for

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 over a year in attempting to put this thing together, and
2 he's now reached the end of his rope on his oil and gas
3 leases and he's forced to come here and request forced
4 pooling in order that he can proceed with orderly develop-
5 ment of the property prior to the expiration of two of the
6 oil and gas leases that he controls.

7 MR. NUTTER: Okay, Mr. Aycock, you've
8 been referring to a whole bunch of people, or lessees, or
9 lessors, or something under these properties. Can you
10 straighten me out on just who they are?

11 A Yes, sir.

12 MR. NUTTER: The application was filed
13 there were working interest owners A, B, C, D, and E.

14 A Yes, sir, we have --

15 MR. NUTTER: And each one of those was
16 listed on the application as owning a certain percentage
17 of the -- of the north half of the northeast quarter and
18 the south half of the northeast quarter.

19 A Yes, sir, we have exhibits that will do
20 that, Mr. Nutter. If you would prefer us to take those out
21 of the order we planned to present them and go into that
22 at this time, we'll be glad to do it.

23 MR. NUTTER: Well, you were talking about
24 it so I was just curious as to what the status was, but if
25 you're going to cover that, go ahead and cover it when you

1 want.

2 A Yes, sir, we have several exhibits that
3 will cover that, I think, in very adequate detail. I trust
4 it will, anyway.

5 MR. NUTTER: Okay.

6 Q Mr. Aycock, if Mr. Hartman were to drill
7 the first well and it should not be a successful endeavor,
8 will he still proceed and drill the second well?

9 A It's Mr. Hartman's intention to drill
10 both wells regardless of the outcome of the first well.

11 Q So these are definitely separate projects?

12 A As far as he is concerned, they are.

13 Q Will you please refer to what has been
14 marked for identification as Exhibit Two and summarize the
15 information contained thereon?

16 A Exhibit Two is a structure map on the top
17 of the Penrose Sand, which lies within the interval that is
18 designated as the Eumont Pool, showing the same 9 -- 10 sec-
19 tion -- excuse me, 9 section block in which Section 13,
20 Township 21 South, Range 36 East is the middle section.
21 It shows the same wells as were displayed on Exhibit Number
22 One, and shows how the structural contours indicate that
23 the lease in question is at a juncture of two local struc-
24 tural anomalies. It is our opinion, based upon the studies
25 that we have conducted, that this can and usually does in

1 this area result in a greater variability of the zones that
2 are included within the Eumont Pool designation than would
3 be expected if you were located more nearly on the crest
4 of any of these anomalies, where the rate of dip is somewhat
5 steeper than it is in the vicinity of the lease in question.

6 Q By moving the wells as we have done here
7 this afternoon to the east, do you believe you will still
8 obtain a good structural position?

9 A Yes, sir, I think that within the preci-
10 sion of the data available to us, you can say that it would
11 be equally as good as the locations at which they were ori-
12 ginally requested.

13 Q In your opinion, due to the irregular
14 nature of the sands that you indicated you anticipate in
15 this area, do sound engineering principles dictate developing
16 this acreage with two wells?

17 A Yes, sir, I think they do and I think
18 it's Mr. Hartman's stated intention and desire to drill both
19 of the wells.

20 As the Commission is aware, the
21 availability of drilling rigs is still a problem, and because
22 of the leasehold problems that I've previously alluded to
23 and discussed in some detail, if he were to drill the first --
24 one well and come back to drill the second one later, it
25 would require him to establish a legally acceptable form

1 of activity across the expiration dates of two oil and gas
2 leases, and then try to get the drilling rig back at some
3 later time.

4 Since it's his intention to drill the two
5 wells in any event, he would prefer to go ahead and drill
6 them while he's there rather than to delay and incur addi-
7 tional expense in attempting to establish a legally accept-
8 able form of activity that would perpetuate these leases.

9 It is absolutely necessary, if the leases
10 are going to be perpetuated, that he be drilling or or about
11 the 25th of this month.

12 Q Mr. Aycock, will you now refer to what
13 has been marked for identification as Exhibit Three and re-
14 view this for the Examiner?

15 A Cross Section A-A', the trace of which
16 was indicated on both Exhibits One and Two, illustrates the
17 entire interval that is included in the Eumont Pool desig-
18 nation, and the practices of the operators in how they have
19 completed, when the wells were completed, and what the re-
20 sults were.

21 In general, I think the indications are
22 that the initial gas flow rates were quite a bit higher
23 than they are at the present time, and this is because, of
24 course, the pressure was in most cases, was considerably
25 higher at the time of these completions than it is at the

1 present time.

2 You'll notice that all but one of the
3 wells on this cross section were drilled and completed in
4 the mid-50's. One of them was drilled and completed in
5 1937.

6 So none of this activity is recent.

7 Q Will you now refer to Exhibit Number Four,
8 your B-B' cross section, and review that exhibit for Mr.
9 Nutter?

10 A Exhibit Number Four is the west/east
11 cross section, B-B', the trace of which was also previously
12 indicated on both Exhibits One and Two.

13 It illustrates similar data for the wells
14 included on this cross section. The Examiner will note that
15 there are three of these wells for which no logs were avail-
16 able, so schematic logs were constructed in order to illu-
17 strate the structural configuration and where the wells were
18 completed.

19 On this cross section you will note that
20 the lefthand well was completed in 19 -- late 1978. The
21 other wells, three of -- the other wells were completed in
22 the '30s; one was completed in the '40s; and the last two
23 were completed in the '50s, so only one well on this cross
24 section is -- constitutes recent activity.

25 Q Now, what conclusions can you draw about

1 the characteristics of the formation?

2 A Well, it is apparent from the practices
3 of the operators in the area that the preference has been
4 for completing in the Penrose portion of those zones that
5 are included within the Eumont Field designation in most
6 cases; however, this is probably due to the fact that the
7 quality is quite a bit higher and it is my opinion, based
8 on what has been done here, that there have not been suffi-
9 cient attention paid to the lower permeability in the zones
10 above the Penrose zone and below the Penrose, within the
11 Grayburg, Grayburg or Skelly Penrose, however you would care
12 to label it.

13 MR. NUTTER: Well, now, Mr. Aycock, this
14 second cross section, this B-B', has both of the wells which
15 are shown --

16 A Yes, sir.

17 MR. NUTTER: -- on your first exhibit in
18 the south 80-acre unit.

19 A Yes, sir.

20 MR. NUTTER: One, it looks like, had a
21 cum production of 375-million, and the other one had 535-
22 million cubic feet.

23 A Yes, sir.

24 MR. NUTTER: The first one it says T&A
25 requested. The other one it says P&A. Do you know whether

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 that first well, which is the No. 3, has been plugged and
2 abandoned temporarily?

3 A. I am not in possession of formal plugging
4 documents, if such exist, Mr. Nutter. That's the best I
5 can find.

6 MR. NUTTER: That they just requested
7 temporary abandonment.

8 A. Yes, sir.

9 MR. NUTTER: But you did ascertain that
10 the other well has been plugged and abandoned.

11 A. Yes, sir. Yes, sir, that's correct.

12 MR. NUTTER: Okay, and neither one of
13 those wells had very good cumulative production --

14 A. That's correct.

15 MR. NUTTER: Compared to most of the wells
16 in the area.

17 A. That's very correct.

18 Q. Will you now refer to what has been
19 marked Exhibit Number Five and review the data contained
20 thereon?

21 A. Exhibit Number Five, Mr. Nutter, is a
22 tabulation of information, pertinent information, for the
23 12 wells that are included on the previous exhibits. In-
24 cluded are the location of each, the completion date, the
25 initial calculated absolute open flow potential, the comple-

1 tion interval; the cumulative gas production as of January
2 1st, 1980; the estimated original gas in place where suffi-
3 cient pressure information are available to allow that esti-
4 mate to be made; the estimated ultimate gas recovery from
5 extrapolation of the stabilized decline rates that are pre-
6 sent on most of the wells; the estimated gas recovery factor;
7 and the latest shut-in wellhead pressure that we can find
8 that's been reported; and the date of that -- the year in
9 which that report was made.

10 I think, as you pointed out, Mr. Nutter,
11 that the -- except for the one very new well, the recoveries
12 on these too are abnormally low for those in this immediate
13 vicinity.

14 Based on Mr. Hartman's previous experience
15 in the area and the observation that apparently insufficient
16 attention has been paid in the past to the zones other than
17 the Penrose, it is our hope that the two projected wells will
18 obtain quite a bit better results than the two on this pro-
19 perty that have been previously produced and abandoned.

20 Q Will you now refer to Exhibit Number Six
21 and review these for the Examiner?

22 A Exhibit Number Six are tabulations of gas
23 production history, including the reported shut-in wellhead
24 pressures; graphs of the log of gas production as a function
25 of time; and the ratio between calculated subsurface pressure

1 and consistent compressibility factor as a function of cumu-
2 lative gas recovery, which form the basis of the estimates
3 of original gas in place where that information is available
4 for each of those wells that are included on the previous
5 exhibits and have been discussed.

6 MR. NUTTER: The wells that you were
7 talking about being on Exhibit Number Five, are they the
8 wells that are colored on Exhibit Number Two and Number One?
9 Or do they include other wells?

10 A They include other wells as well as
11 those, Mr. Nutter.

12 MR. NUTTER: Those wells are only the
13 cross section wells that are colored.

14 A Yes, sir, these include all of those that
15 I could find that I felt were close enough to be pertinent
16 and yield data that might be of interest to either Mr. Hart-
17 man or to this Commission.

18 MR. NUTTER: Are all the wells that are
19 on the cross sections --

20 A Yes, sir.

21 MR. NUTTER: -- included on Exhibit --

22 A They are if they were Eumont wells. In
23 some cases they were not -- they were not Eumont wells and
24 I don't think they're included. I'd have to -- I'd have to
25 stop and check it to be sure, but I believe that -- what I

1 did was take the same area and look for the Eumont completions,
2 current, or former Eumont completions.

3 MR. NUTTER: Okay.

4 A We did not adhere to that in an attempt
5 to illustrate the structural situation in all cases.

6 MR. NUTTER: Okay.

7 Q Mr. Aycock, I direct your attention to
8 what has been marked Exhibit Number Seven and ask that you
9 identify this for the Examiner.

10 A Exhibit Number Seven are the revised
11 C-101s and C-102s for the two proposed locations and --

12 Q Have these been filed with the Commission?

13 A These have been filed with the Commission
14 and they are consistent with the amended application, which
15 the Commission has previously accepted in this case; i.e.,
16 the locations for both wells are now 660 feet from the west
17 line of the northeast quarter.

18 Q Mr. Aycock, I direct your attention to
19 what has been marked Exhibit Number Eight and ask that you
20 identify this for Mr. Nutter.

21 A Mr. Nutter, Exhibit Eight, and the following
22 exhibits, address themselves to the questions that you had
23 about the ownership of the various tracts and what the
24 status was.

25 Exhibit Number Eight is a title opinion

1 dated March 4th, 1980, by Tevis Herd, who is a member of the
2 law firm of Cotton, Bledsoe, Tighe, and Dawson in Midland,
3 which sets out the interests in the various leases, as far as
4 can be ascertained.

5 Mr. Hartman's application in this matter
6 indicated that he controlled 53 percent of the -- approxi-
7 mately 53 percent of the mineral interests under this 160-
8 acre tract. He has informed Mr. Carr and I that he now be-
9 lieves that he controls slightly over 56 percent of the
10 mineral interests underneath this tract.

11 Those tracts about which there is appar-
12 ently some, I won't say contention, but lack of agreement at
13 this point, are indicated and checked on the pages one and
14 two of this title opinion.

15 The J. C. McIntyre lease, indicated as
16 Leascher and Sullivan; the ARCO lease, indicated at the top
17 of page two; the Edith G. Socolow and A. Walter Socolow
18 lease, indicated as Isbell in parenthesis; and the Dorothy
19 Gutman lease, indicated in parenthesis as Isbell. To our
20 knowledge those four interests are those that -- about which
21 either a lack of agreement or a disagreement exists at this
22 time.

23 Q Mr. Aycock, would you now refer to Exhibits
24 Nine through Twelve and summarize the data contained in each
25 of those exhibits for Mr. Nutter?

1 A. Exhibits Nine through Twelve are compul-
2 sory pooling correspondence summaries for each of the four
3 interests that are indicated on the title opinion, which was
4 Exhibit Eight.

5 I'll be glad to go into them in any degree
6 of detail that the Examiner might require.

7 The first one refers to the Leascher and
8 Sullivan interest. You'll notice that the acreage is de-
9 scribed, the name of the parties, the interest, whether or
10 not an interest -- whether or not an offer was made to lease
11 or farmout from Mr. Hartman to the parties, the dates on
12 which contact was made by Mr. Hartman with these parties,
13 what -- when the dates were that offers to participate were
14 furnished to these parties, including a copy of an authoriza-
15 tion of expenditure, for expenditure, and the date on which
16 an operating agreement was furnished to each of the parties,
17 and the indication of when the notice of compulsory poolin
18 hearing were indicated to each of the parties, and behind
19 the front sheet are the documents that explain in detail
20 each of these categories that we've discussed, one through
21 four, on the front page.

22 Exhibit Nine applies to the Leascher and
23 Sullivan interest. Exhibit Ten applies to the ARCO interest.
24 Exhibit Eleven applies to the Edith G. Socolow and A. Walter
25 Socolow interest, indicated as the next to last, with Isbell

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 in parenthesis, and Exhibit Twelve applies to the Gutman -
2 Gutttag interest, which is indicated also as Dorothy Gutman,
3 a widow, with Isbell in parenthesis on Exhibit Eight, the
4 title opinion.

5 If the Examiner has questions, we'll be
6 glad to go into all of those. I think the documentation is
7 fairly complete and the -- I think it can be established
8 that numerous contacts have been made with all of these
9 parties by Hartman at one time or another in an attempt to
10 work out something with them, and he told me this morning
11 that he was still willing to work out anything within reason;
12 that if any of the parties to it, if it would put them in
13 a -- cause a financial hardship for them to participate in
14 this, he would be willing to make any sort of a fair business
15 arrangement with them that would remove that hardship from
16 them in preference to force pooling, if that were possible.

17 We have indications from ARCO that they
18 are -- originally -- apparently there was some misunder-
19 standing as to the timing that was involved, and ARCO has
20 now indicated to Mr. Hartman that they are able and willing
21 to work out their differences so that they can participate
22 in the activity here. Their original objection was based
23 upon the commitment to drill two wells rather than one,
24 and when Mr. Hartman explained to them what his situation
25 was, they agreed to review it and discuss it with him in

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 further detail.

2 In addition to that fact, of course, ARCO
3 was not aware that the other participants, whether they are
4 voluntary or force pooled, are they to be working interests,
5 many of them are out-of-state people who are not professional
6 oil and gas people, and it would simply be, with the prime
7 interest rate at 20 percent, and apparently going to exceed
8 that shortly, it would not be possible for Hartman to
9 finance these other interests and have to go through long-
10 winded collection procedures. It would not be a prudent
11 business decision for him to proceed without the protection,
12 either -- either agreement or the protection of the force
13 pooling statute that will assure him that there will be
14 revenues to cover these expenses.

15 Q Mr. Aycock, was an AFE included with this
16 correspondence?

17 A Yes, sir, I believe each of those cor-
18 respondence packages includes an AFE.

19 Q And do the figures set forth on these
20 AFE's conform with Mr. Hartman's actual costs?

21 A The figures that are set forth there are
22 actually for two wells that were drilled in the Jalmat area,
23 and they illustrate that the spectrum of costs that Mr. Hart-
24 man has experienced. The AFE that he actually furnished
25 them was adjusted to a 4200-foot well depth, but the ex-

1 perience on which it was based was wells that are approxi-
2 mately 34 to 3600 feet in depth.

3 It also takes account of the fact that
4 since the most recent Hartman experience, which took place
5 in March of this year, there have been -- there has been an
6 increase in the footage rate for drilling this type of well,
7 and of course, I know the Commission's aware that we had
8 a fifteen percent increase in tubular goods prices in Feb-
9 ruary of this year, also.

10 MR. NUTTER: Now this AFE you're talking
11 about, it's attached inside these --

12 A Yes, sir.

13 MR. CARR: And it should be dated March
14 11.

15 MR. NUTTER: And it shows the total cost
16 of a producing well of \$283,200?

17 A Yes, sir.

18 MR. NUTTER: And a dry hole of \$131,700.

19 A Yes, sir.

20 Q Now, Mr. Aycock, if the cost, the actual
21 costs incurred in drilling these wells differ from those
22 figures set forth on the AFE, how is this dealt with?

23 A Mr. Hartman has agreed, and has put in
24 writing with all of the prospective people, that these cost
25 estimates are the best that he can do at this time, and that

1 the final costs will be on an actual -- that will be rendered
2 will be on an actual cost basis. If the costs are less than
3 this, then refunds will be made to each of the parties; if
4 the costs are greater than this, then, of course, each party
5 will be billed for their proportionate part.

6 Q Will you please refer to what has been
7 marked for identification as Hartman's Exhibit Number Thir-
8 teen?

9 A Hartman's Exhibit Number Thirteen is a --
10 the front page is a summary of the oil and gas leases that
11 are committed to Doyle Hartman at this time.

12 I call attention -- the Commission's
13 attention to the fact that the Fluor Oil and Gas Corporation
14 lease expires on June 8th, 1980; the General Crude Oil Com-
15 pany lease expires on May 10th, 1980, and there are -- in
16 both of those leases, plus the Pickens lease, which does not
17 expire for two years, and the Texaro lease, which does not
18 expire for almost another year, all contain the Pugh clause
19 that requires release, both horizontal and vertically, at the
20 end of the primary term for those interests not dedicated to
21 a producing well at that point in time. The only way of
22 perpetuation would be operations. As I previously stated,
23 it is our opinion that were we to do that, to drill one well
24 and then come -- we'd come back and then we'd have to request
25 an infill finding from this Commission.

1 We feel like it would be more prudent,
2 with the situation the way it is, simply to ask for the two
3 wells and protect the entire lease at this point, as we
4 would prefer. Each of the leases is somewhat self-explana-
5 tory. I'll be glad to go into whatever detail the Commission
6 may require. There's full documentation here.

7 Q Mr. Aycock, what is the standard spacing
8 for the Eumont Gas Pool?

9 A Let me read the -- from the Eumont Gas
10 Pool Rules, on the Byram, July, 1960 Byram, page 46, Rule
11 5-A says, a standard gas proration unit in the Eumont Gas
12 Pool shall be 640 acres.

13 Q Generally speaking, in fact, how is the
14 pool developed?

15 A The pool is developed on -- the assignments
16 to the wells vary all the way from 40 acres up to 640; most
17 of them are 320 acres or less.

18 Q For proration purposes, what is the base
19 of a standard unit?

20 A I believe that at the present time the
21 Commission is using 160-acre unit as the basis for alloca-
22 tion of the available gas market among the wells.

23 Q And this is a prorated pool?

24 A Yes, sir, it is.

25 Q So the fewer the acres in the unit, the

1 smaller the allowable.

2 A That's correct.

3 Q Would you please refer to what has been
4 marked for identification as Hartman's Exhibit Thirteen-A
5 and just briefly state what that shows?

6 A Exhibit Thirteen-A is a copy of a standard
7 land map on a 1-inch equals 4000-foot scale, which shows the
8 traces of the cross sections that were Exhibits Three and
9 Four, the lease in question, and shows the proration units
10 which are assigned to the immediately adjacent Eumont wells.

11 I think the Commission will notice that
12 we have everything from 80 acres up to 320 acres. We have
13 two 320-acre units that are assigned, one of which is a
14 regular 320-acres, and the other, which is a most irregular
15 shaped 320-acre proration unit.

16 Q Now, Mr. Aycock, I notice that the name
17 of Mr. Isbell appears written in on the title opinion, and
18 so I would like to ask you a couple of questions related to
19 this.

20 Does the pooling application that you are
21 proposing today affect acreage currently leased by Mr. Isbell?

22 A Yes, sir, it does.

23 Q And has he joined with Mr. Hartman in
24 the drilling of the well?

25 A Not at this time.

1 Q In regard to his acreage, are there parti-
2 cular problems which cause you concern as you proceed with
3 this matter?

4 A Well, it is our understanding that the
5 oil and gas lease which Mr. Isbell took from the estate
6 of Dorothy Gutman was executed by only two of the co-executors
7 and not all three of them.

8 Q At this time would you -- I think it would
9 be helpful to refer to what has been marked Exhibit Number
10 Fourteen.

11 A Exhibit Number Fourteen is the Gutman
12 Family Mineral Ownership under the northeast quarter of
13 Section 13, Township 21 South, Range 36 East, labeled for
14 identification as Exhibit Fourteen, Mr. Nutter, and this is
15 an attempt to make something that is quite confusing, hope-
16 fully, somewhat less confusing.

17 The two leases that are indicated under
18 Isbell are outlined in red, I believe, on your copy. One
19 of them is under the middle branch, which goes through
20 Benjamin Gutman, deceased, Dorothy Gutman, deceased, Dorothy
21 Gutman Estate, Co-executors Charles Gutman, BettyG. Gutttag,
22 and Jack Cuttag.

23 The other one is the Edith G. Socolow
24 and A. Walter Socolow as trustees, which comes through the
25 righthand branch, which is labeled Louis Gutman, deceased,

1 and comes on down to a trust agreement, which is filed of
2 record, but at the time Mr. Hartman had the records checked
3 in Lea County, the Rodanjo Trust, there had not been any
4 documents. It is referred to but there had not been any
5 documents, nor have there been any probate filed of record
6 in Lea County. We simply know that it apparently exists be-
7 cause of its mention in one of the other documents.

8 Until the apparent title deficiency, which
9 establishes the complete chain of title under the -- between
10 the trust agreement and the Rodanjo Trust is established,
11 and can be established, with complete filings that have been
12 put of record in Lea County, then Mr. Hartman doesn't know
13 exactly who he may be dealing with, either as a co-working
14 interest owner, a pooled interest owner, or whoever.

15 MR. NUTTER: Well, now you don't mean what
16 you say here, I don't think, Mr. Aycock.

17 It says not -- referring to this Rodanjo
18 Trust, not filed of record until 3-17-80. You mean not
19 filed of record as of.

20 A. Yes, sir.

21 MR. NUTTER: It wasn't filed on that date.

22 A. That's right.

23 MR. NUTTER: So it's as of.

24 A. I don't believe that there are complete
25 filings anywhere that establish the succession of title past

1 this trust agreement. If there are, Mr. Hartman's title
2 attorney has not been able to be privy to them and does not
3 have them in his possession.

4 Q Now, Mr. Aycok, isn't the point of this
5 exhibit simply that even if you could get everyone to volun-
6 tarily come in, there are certain things in terms of the title
7 that might trigger a situation where after the well is
8 spudded you would wind up with some interest not committed?

9 A I think the only -- the only protection
10 that -- as I said earlier, Mr. Nutter, we didn't come up
11 here lightly to burden you with this thing. We came when
12 there appeared that there was no alternative, either lose
13 the oil and gas leases or come request the Commission to
14 accept it as being applicable under the forced pooling
15 statute, as protection. Hartman is willing to take the
16 risks that are associated with the entire venture and go for-
17 ward with it under any reasonable approach, either under the
18 forced pooling or under a voluntary arrangement, either way
19 is fine with him. Obviously he'd rather do it under a volun-
20 tary communitization type thing than he had to do it under
21 a situation where we have to force pool them. But the fact
22 that the leases are expiring, the fact that the rig avail-
23 ability will be a problem, and combined with the fact that
24 both of the expiring leases contain the Pugh clause that
25 necessitates release of acreage not assigned to producing

1 wells at the expiration of the primary terms, he felt that
2 the only way he could proceed as a prudent operator was to
3 come here and request this Commission to take action.

4 Q Mr. Aycock, will you now refer to what
5 has been marked for identification as Hartman Exhibit Number
6 Fifteen and explain to Mr. Nutter what this is?

7 A Hartman Exhibit Number Fifteen is a copy
8 of the letters that were furnished each of the parties to
9 this hearing by Mr. Carr by certified mail; included are
10 copies of the return receipts that show that they were each
11 received.

12 I might call the Examiner's attention to
13 the fact that the interests that are not controlled by Hart-
14 man, and which are of concern to him, which we've just pre-
15 viously discussed, in addition in those summary packages of
16 correspondence which we've furnished you as our -- as those
17 Exhibits Nine, Ten, Eleven, and Twelve, also contain -- will
18 show proof that Hartman personally, in addition to Mr. Carr,
19 furnished all of those parties notice of the hearing and
20 there are also copies of the return receipts showing that
21 they were received.

22 So all of the parties have been notified
23 at least once and some have been notified twice about this
24 hearing.

25 Q Mr. Aycock, are you prepared to make a

1 recommendation to the Examiner as to the risk factor which
2 should be assessed against those who do not participate in
3 the drilling of the well?

4 A Yes, sir, I think based upon the -- upon
5 the demonstrated facts and the Commission's own observation
6 that the recoveries from the previously existing wells
7 located on this tract were below average for the area, that
8 the maximum risk factor that is allowed under the statute,
9 200 percent, should be applicable to this situation.

10 Q Have you made an estimate of the overhead
11 and administrative costs which would be incurred while
12 drilling and producing these wells, if in fact you do ob-
13 tain --

14 A Yes, sir, and --

15 Q -- wells capable of production?

16 A Mr. Hartman submitted a model form oper-
17 ating agreement to each of the potential participants, as
18 was indicated on the -- in the summaries of correspondence
19 that have been furnished, and in that connection the over-
20 head rates for drilling wells was specified as \$3000 per
21 month and the producing well rate was classified as \$375
22 per month.

23 Q Now do these figures conform with Mr.
24 Hartman's actual costs?

25 A No, they do not. They recover about

1 2/3rds of what Mr. Hartman can, as nearly as he can ascertain,
2 what his true costs are in this connection.

3 Q Do you recommend that these figures be
4 incorporated into any order which results from this hearing?

5 A Yes, sir, I do.

6 Q And does Mr. Hartman request to be named
7 the operator?

8 A Yes, sir, he does. That's included in
9 his application.

10 Q When will a rig become available for the
11 drilling of these wells?

12 A Between April 15th and April 25th, de-
13 pending upon the outcome of this hearing and when the Com-
14 mission can act.

15 Q And so you are requesting that the order
16 that results from this hearing be expedited?

17 A Yes, sir, I am.

18 Q In your opinion will granting this appli-
19 cation be in the interest of conservation, the prevention
20 of waste, and the protection of correlative rights?

21 A Yes, sir, I do. I think that the low
22 productivity of the surrounding wells indicates that a large
23 portion, if not all of the gas that remains -- remaining gas
24 that underlies the tract in question in the Eumont zones,
25 would probably not be recovered at all, and it would cer-

1 tainly not accrue to the benefit of the mineral owners under
2 this tract were these two wells not to be drilled.

3 Q Were Exhibits One through Fifteen either
4 prepared by you or have you reviewed them and can you testify
5 as to their accuracy?

6 A Yes, sir, I have. They were prepared,
7 part of them were prepared by me; part of them were prepared
8 by Mr. Hartman's staff under my supervision.

9 MR. CARR: At this time, Mr. Examiner,
10 we would offer Applicant's Exhibits One through Fifteen.

11 MR. NUTTER: Exhibits One through Fifteen
12 will be admitted in evidence.

13 MR. CARR: I have nothing further on
14 direct.

15
16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. Aycock, back to the owners.

19 A Yes, sir.

20 Q The application stated that Fluor Oil and
21 Gas Corporation owned 1/16th. Has Fluor consented to the
22 drilling of the wells?

23 A Yes, sir, that's one of the leases that
24 is shown under the tabulation as now controlled by Hartman.
25 It's the second lease on the -- on Exhibit Thirteen.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 It expires on June 8th, 1980.

2 Q Okay, this is a list of the ones that
3 are committed, then.

4 A Yes, sir.

5 Q Okay. Gary Leascher and Cynthia Leascher,
6 and Michael Sullivan and Gail Sullivan are listed as owning
7 1/16th. Are they committed?

8 A No, sir, they are not. Mr. Hartman, as
9 indicated on Exhibit Nine, Mr. Hartman has been in correspon-
10 dence with them since the 29th of February of this year in
11 reference to this interest. Mr. Hartman or Mr. Davidson,
12 who is his business associate.

13 Q Okay. The application lists Texaro Oil
14 Company as owning 1/40th of the 160.

15 A Yes, sir, that's the final lease indi-
16 cated on Exhibit Thirteen as now committed to Mr. Hartman.

17 Q Are these leases, this Texaro and the
18 Fluor leases, did they assign those leases to Hartman or
19 did they join in the drilling of the wells?

20 A No, they assigned the leases to Hartman.

21 Q So he's the working interest owner, then.

22 A Yes, sir.

23 Q In their stead?

24 A Yes, sir, that's correct.

25 Q Okay, then the application lists under D,

1 Betty Gutttag and Jack Gutttag and Charles Gutttag.

2 A. Yes, sir.

3 Q Individually and as co-executors under
4 the will of Dorothy Gutman, deceased.

5 A. Yes, sir.

6 Q Okay, that's the middle column on Exhibit
7 Fourteen.

8 A. Yes, sir, and that's covered under Exhibit
9 Twelve, the detailed correspondence that applies to that
10 interest is covered completely under Exhibit Twelve.

11 Q Is it leased?

12 A. No, sir. It's not leased and it's not
13 committed. Mr. Hartman has indicated his willingness to do
14 either or both, whatever they prefer. He's offered to lease
15 under the same terms as other people have offered him, in-
16 cluding the professional oil and gas people, or he's indi-
17 cated to have them join, whichever way they'd prefer to do.

18 Q Okay. Then E is Edith Socolow and A.
19 Socolow, A. Walter Socolow.

20 A. Yes, sir.

21 Q Now is that one leased?

22 A. No, sir, the same situation prevails
23 there. He's had no answer.

24 Q That's the righthand column of the Ex-
25 hibit Fourteen.

1 A Yes, sir, and that's covered under Exhibit
2 Eleven, which is the complete correspondence summary of
3 everything that pertains to that interest, as far as Mr.
4 Hartman is concerned.

5 Q Now, are D and E on the application, do
6 they own varying shares separately or do they together own
7 28/120ths and it never has been split up?

8 Your Exhibit Fourteen would indicate that
9 the righthand column and the center column of the family
10 tree each own 23 percent.

11 A Let me look, Mr. Nutter, just a minute,
12 please. Let me find that.

13 The filings, the application, the indi-
14 cated interests would be superceded by Exhibit Fourteen,
15 which is the latest information that we have.

16 Q Okay. Now, I have a correspondence from
17 James Isbell, dated March 24th, in which he says he's ob-
18 tained oil and gas leases of working interest owners D and
19 E, who would be Betty, Jack, and Charles Gutttag, and Edith
20 and A. Walter Socolow, and that he intends to join in the
21 drilling of the wells.

22 A That was Mr. Hartman's impression, too,
23 but as of this date he has received -- not received the re-
24 turn of any of the -- the assigned AFE or any of the corres-
25 pondence that he directed to Mr. Isbell in an attempt to get

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 him to join as he had indicated that he would.

2 Q When did he send it to Mr. Isbell?

3 A Well, let's look back on the --

4 Q And when did Isbell obtain these leases,
5 do you know?

6 A The lease that we have seen that's of
7 record is dated March 17th, 1980. It includes only two of
8 the co-executors. It includes Betty G. Gutttag and Jack
9 Gutttag, and does not include Charles Gutman as a lessee.

10 Q You mean Charles Gutttag.

11 A No, Charles Gutman is the proper name.
12 Mrs. Gutttag is his sister. Her name is Betty Gutttag Gutman --
13 Betty Gutman Gutttag, and his name is Charles Gutman.

14 Q Oh, the application must be in error
15 then because it says Betty G. Gutttag and Jack Gutttag and
16 Charles Gutttag, individually, and as co-executors under the
17 will of Dorothy Gutman.

18 A It is -- it is --

19 Q And it should be Charles Gutman.

20 A It should be Charles Gutman, as indicated
21 on Exhibit Fourteen.

22 Q Okay. And Isbell got a lease from whom?

23 A He got a lease from --

24 Q Betty Gutttag?

25 A Betty Gutttag and Jack Gutttag, her hus-

1 band, who are two of the three co-executors of the --

2 Q But he doesn't have one from Charlie
3 Gutman.

4 A Charles Gutman, that's correct, and Mr.
5 Hartman's information is that Mr. Gutman is -- Charles Gutman
6 is somewhat upset about this matter and is considering ap-
7 propriate action; whether or not he will do it is of no con-
8 cern to Hartman, but what concerns him is if he gets in and
9 starts drilling a well thinking he has a lease and it turns
10 out that he doesn't have a lease, then what does he do.

11 Q Yeah, so if there's a chance Isbell's
12 lease doesn't include all the interests --

13 A That's correct. It depends -- I don't
14 know what the laws having to do with estates and successions
15 in the State of New York are, and Mr. Hartman doesn't either,
16 but he doesn't want to have to get into it if he can avoid
17 it, if at all possible.

18 Mr. Isbell has been -- has been notified
19 between March 31st, on March 31st and April 1st of this
20 year, has been furnished AFE's, operating agreements, and
21 notice of compulsory pooling.

22 Q Now which one is --

23 A That's Exhibit Twelve.

24 Q Exhibit Twelve?

25 A Yes, sir.

1 Q Exhibit Twelve.

2 A You'll notice on the correspondence sum-
3 mary on the face of Exhibit Twelve, under number two, it
4 says furnished offer to participate with copy of corresponding
5 AFE.

6 Q Right.

7 A Down here it says 4-1-80, James H. Isbell
8 as possible lessee, and has an asterisk. Down at the bottom
9 it says lease from Betty and Jack Gutttag as independent
10 co-executors under the will of Dorothy Gutman, deceased,
11 now being legally contested in the State of New York by
12 Charles Gutman, also a co-executor and 50 percent benefi-
13 ciary under the will of Dorothy Gutman.

14 That's the best information that Mr.
15 Hartman has been able to obtain.

16 Q Okay. And what is being legally contested,
17 the lease?

18 A The fact that only two of the -- that the
19 lease was executed by only two of the co-executors, not all
20 three.

21 Q Okay. So Charlie Gutman is contesting
22 the lease that Betty and Jack gave Isbell.

23 A Yes, sir, that's correct.

24 Q Okay. Now, on the AFE you stated that
25 this represents Mr. Hartman's experience --

1 A Yes, sir.

2 Q -- drilling Jalmat wells and it's --

3 A Adjusted to a 4200 foot depth.

4 Q -- adjusted to the 4200 foot depth for the
5 Eumont.

6 A That's correct, sir.

7 Q And figures are given there, I think it
8 was \$283,000 for a --

9 A Yes, sir.

10 Q -- producer.

11 A As you're probably aware, Mr. Nutter,
12 Mr. Hartman does several things that all operators don't do.
13 Like he attempts to cement the production casing all the way
14 back to the surface, if at all possible. He believes this
15 is prudent for both the preservation of the wellbore and
16 the prevention of any untoward subsurface fluid migration.
17 That adds slightly to the cost, but he also believes that
18 it has enabled him to achieve, not only greater success in
19 what he's done with regard to stimulation, but greater pro-
20 tection for himself, for the mineral owners, and for anybody
21 else that might be affected by inter-zone fluid migration.

22 Q I notice he's got \$7000 for legal and
23 regulatory fees on there, too.

24 A Well, Mr. Carr and I have to eat, too.

25 Q He gets involved in these things.

1 MR. NUTTER: Does anyone have any questions
2 of Mr. Aycock? He may be excused.

3 Do you have anything further, Mr. Carr?

4 MR. CARR: Nothing further, Mr. Nutter.

5 MR. NUTTER: Does anyone have anything
6 they wish to offer in Case Number 6846?

7 We'll take the case under advisement.

8 Oh, yes, sir?

9 MR. LEASCHER: It's just that Mr. Sullivan
10 and myself are here and we --

11 MR. NUTTER: State your name, please.

12 MR. LEASCHER: Gary Leascher, and we have
13 tried to work with Mr. Hartman on this thing and our main
14 objection and for not signing the operating agreement that
15 he sent us was the two wells at the same time on one oper-
16 ating agreement. And I just want to make a point of that,
17 and that's all. I mean I'm not an attorney and I've got --

18 MR. NUTTER: In other words, he's got
19 both wells covered under one operating agreement.

20 MR. LEASCHER: Well, and we want some time
21 after the first well, and I don't know that it is our fault
22 that he took leases that have Pugh clauses and that he took --

23 MR. SULLIVAN: Short term leases.

24 MR. LEASCHER: And, you know, why we are
25 responsible for that.

1 MR. NUTTER: And you feel that you should
2 have separate operating agreements --

3 MR. LEASCHER: Well, for each well.

4 MR. NUTTER: -- for the two wells?

5 Well, --

6 MR. LEASCHER: I mean after the first one
7 is completed, or if it is completed, we have the right or
8 option then to decide what you're going to do on the second
9 one, or in the first one being dry. I mean if the first one
10 is dry.

11 MR. NUTTER: Your ownership is identical
12 through the two units, isn't it?

13 MR. LEASCHER: Yes. And I have four more
14 years on my lease and I think Mr. Hartman, I can appreciate
15 his side of the thing, but I don't have to do that. I mean
16 it's not my fault that he has those Pugh clauses and things
17 in there that force him to hurry this thing through, and I
18 tried to work with him on this, again except for this -- that
19 one point of the -- I'd like separate operating agreements.

20 MR. NUTTER: And just like to see more
21 time between the two wells --

22 MR. LEASCHER: Yes.

23 MR. NUTTER: -- to consider -- to evaluate
24 the first before proceeding with the second.

25 MR. LEASCHER: That's right. And I think

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 his costs are extremely high. By checking with other oper-
2 ators in Midland, he's got \$1650 for drilling cost rate and
3 I checked last week with Cactus Oil and they say it's \$1300
4 right now, and that's just one part of it, and wants us to
5 put up all our money up front for two wells and there might
6 be 120 days in between the first and the second, according
7 to the operating agreement, and we're tying up all our money
8 for 120 days.

9 MR. NUTTER: Is that 120 days after com-
10 pletion of the first prior to commencement of the second?

11 MR. LEASCHER: He never said. It's kind
12 of ambiguous.

13 MR. NUTTER: Do you know, Mr. Aycock,
14 what the score is on --

15 MR. AYCOCK: The score is that if he can
16 get the rig to drill the second well, he wants to drill it
17 as soon as possible. He would prefer to go to it immediately,
18 but he can't guarantee that he'll be able to do that. The
19 drilling contractor has other --

20 MR. LEASCHER: The reason he wants to do
21 that is because he's got Pugh clauses on -- and I didn't
22 receive my operating agreement until April the 4th, which
23 was last Thursday.

24 MR. NUTTER: And he was wanting you to
25 put up your money -- your share of the money for both wells?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 MR. LEASCHER: Yes.

2 MR. NUTTER: How about that, Mr. Carr?

3 MR. CARR: Well, I'll tell you, Mr. Nutter,
4 it looks to me like what we have here is a situation where
5 if we look at the statutes we're proceeding under, we ob-
6 viously have a situation where voluntary agreement has not
7 been reached. In terms of whether you could get two separate
8 operating agreements, I have no information on that, but it
9 does appear that there's a 30-day period even after the order
10 comes down within which negotiations can take place before
11 the actual pooling provisions trigger, and that during that
12 period of time I think these problems are matters which very
13 likely can be resolved. But I don't have any particular
14 information on why they're in one operating agreement as
15 opposed to two.

16 MR. NUTTER: It would appear it might be
17 more reasonable, although Mr. Hartman wants to proceed im-
18 mediately like that with the drilling of the second well,
19 despite -- regardless of the outcome of the first well.

20 MR. CARR: That's correct.

21 MR. NUTTER: It might be more prudent
22 for someone else to want to take a look and see if they're
23 willing to participate in the second well.

24 Yes, sir.

25 MR. LUBKE: Royce Lubke, ARCO Oil and

1 Gas Company.

2 Our first correspondence with Mr. Davidson
3 at that time was May of last year, and in June of 1979 we
4 did approve the drilling of a well in that northeast quarter,
5 and we have evidence of that from a letter here from G. Payne
6 Akins (sic) our joint interest superintendent, and since that
7 time, as far as I know, we haven't received much corres-
8 pondence from Mr. Hartman or Mr. Davidson until we received
9 these two AFE's for that northeast section, northeast quarter
10 section, on March 12th, 1980. And we do intend to participate
11 on the well, but we would also like to see the results of
12 the first well prior to drilling the second well.

13 MR. NUTTER: Prior to commencement of the
14 second well.

15 MR. LUBKE: So essentially we do object
16 to drilling one well right after the other, and there's some
17 items in there in the joint interest agreement which we
18 don't like.

19 MR. NUTTER: You mean some monetary
20 values?

21 MR. LUBKE: No, just the fact that it's
22 one well right after the other.

23 MR. NUTTER: Oh, I see.

24 MR. LUBKE: We feel like the wells should
25 be drilled up there and we're willing to go along with it,

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 but, well, we also feel like we've kind of been left in the
2 dark here for some amount of time; caught us kind of off
3 guard.

4 MR. NUTTER: Now, Mr. Aycock --

5 MR. LUBKE: I do have an approved AFE
6 from our District Manager as of last June to drill the well
7 up there.

8 MR. NUTTER: Well, now, Mr. Aycock, if
9 the whole 160 acres were dedicated to the well, this would
10 inconvenience Hartman to the extent that he'd have to have
11 an infill finding for the second well.

12 MR. AYCOCK: Well, worse than that, Mr.
13 Nutter, he'd have to re-advertise it, I think, and come back
14 here before you. By the time we could do that, our leases
15 would probably be in worse jeopardy than they are now.

16 MR. NUTTER: Well, if you had the first --
17 if you had the first well drilled, if you had the first well
18 drilled, the entire 160 would be participating and all in-
19 terests would be covered, wouldn't they?

20 MR. AYCOCK: Yes, sir, they would, and
21 then we'd have to -- I think we'd have to come back to you
22 and request an infill on the second one.

23 MR. NUTTER: You'd have to have an infill.

24 MR. AYCOCK: Yes, sir. We would prefer
25 to avoid that, and the problem with Hartman is not, I don't

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 think with ARCO we have any -- we have any difficulty, but
2 he doesn't know who he's dealing with and what their financial
3 capabilities are and whether they're going to be able to pay,
4 and with credit controls in force and interest rates in ex-
5 cess of 20 percent, and as a consequence, all the suppliers
6 are virtually demanding settlement in full of accounts with-
7 in 30 days. They have to because their profit margin won't
8 allow them to carry. And Hartman is concerned that he'll get
9 into a situation where some of the people will choose not to
10 pay and he'll be left without either owning the interest;
11 he'll be faced with materialmen's suits, or workmen's suits,
12 or liens, as an option to him paying the bills for the whole
13 thing, and that's not a prudent business situation from his
14 standpoint.

15 He wants to know that he's protected and
16 that either he's got the interest or that the people involved
17 can and will pay their bills on time. And as far as requesting
18 the money in advance, I do some of the same type of work
19 myself, and unless the people have a history with me and I
20 know they can and will pay, I do exactly the same thing. We
21 don't turn a tap till the money is in the bank.

22 MR. LEASCHER: Is that for two wells?

23 MR. AYCOCK: You better believe it. I've
24 turned a deal for four and we didn't turn a tap till they
25 were all in the bank for all four of them. That came out

1 to in excess of \$800,000 bucks. We did it in December.

2 MR. NUTTER: Well, of course, the compul-
3 sory pooling statute contemplates a person not participating
4 and putting up his money.

5 MR. AYCOCK: Right.

6 MR. NUTTER: You're going to have to
7 carry him in that instance, aren't you?

8 MR. AYCOCK: But we also -- he's willing
9 to take the risk if he knows that whatever interest comes
10 he will get -- he will get a reasonable payoff for taking
11 the risk and he will get the production income, but if he
12 winds up with -- we go into this thing and we don't have it
13 all straightened out, and people say yeah, I'm going to go,
14 and then we get down to division order time, Hartman's got
15 100 percent of the bills and only part of the interest, and
16 that's not a prudent business situation.

17 I don't know the Socolows and the Gutmans
18 and he doesn't either, and his attorney advises him that
19 he'd be running a dire risk to get into this thing without
20 some protection, and the only kind of protection that's
21 available is to come before this Commission and request the
22 application of the forced pooling statute.

23 MR. NUTTER: Well, I can see -- I can see
24 the logic of that forced pooling. It's just this progression
25 from one well to the next without some time to evaluate. I

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 think Mr. Leascher has a valid point there.

2 MR. AYCOCK: Well, if he could have ob-
3 tained longer term leases he would have been delighted to,
4 but he did the best he could and that was all he could get,
5 and he's willing to drill them, he personally with his 56
6 percent interest is willing to stand up and drill two wells
7 bang-bang, and if the others don't, then that constitutes --
8 I guess that constitutes a disagreement between them.

9 MR. LEASCHER: If we had any amount of
10 time. I'm just talking about putting it all up front.

11 MR. AYCOCK: As you're aware, Mr. Nutter,
12 kind of the same situation occurred in that -- in the other
13 controversy that we had in the Eumont Pool with Texaco
14 several months ago, where Hartman was forced to drill a
15 second well before the second one was properly evaluated,
16 and it turned out there it was a dry hole, and he's still
17 willing to go ahead and drill two here and accept that risk.
18 And you know, if the -- if people don't want to join, then
19 he's willing to accept the additional risk if there's any
20 kind of a business incentive for him to do so, and go ahead.
21 He's willing to lease; he's willing to farm out; he's willing
22 to purchase; he's willing to do anything that's reasonable
23 to get the thing done.

24 MR. SULLIVAN: He's never made a farm out
25 attempt with me.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 MR. AYCOCK: Well, you'll have to dis-
2 cuss that with him.

3 MR. NUTTER: Does anyone have anything
4 further in Case Number 6846?

5 Take the case under advisement.

6
7 (Hearing concluded.)
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

REPORTER'S CERTIFICATE

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

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Oil Conservation hearing of Case No. 6846.
heard by me on 4/9 1980.


Oil Conservation Division, Examiner