

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,599

EXAMINER HEARING

IN THE MATTER OF:

Application of Mewbourne Oil Company for  
compulsory pooling and an unorthodox gas well  
location, Eddy County, New Mexico

TRANSCRIPT OF PROCEEDINGS

**ORIGINAL**

RECEIVED

DEC 07 1992

BEFORE: MICHAEL E. STOGNER, EXAMINER

OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

November 19, 1992

## A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Building  
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY  
Attorneys at Law  
By: JAMES G. BRUCE  
218 Montezuma  
P.O. Box 2068  
Santa Fe, New Mexico 87504-2068

\* \* \*

## I N D E X

## Page Number

Appearances

2

Exhibits

4

PAUL HADEN

Direct Examination by Mr. Bruce

5

Examination by Examiner Stogner

15

DEXTER HARMON

Direct Examination by Mr. Bruce

17

Examination by Examiner Stogner

22

Certificate of Reporter

27

\* \* \*

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

E X H I B I T S

APPLICANT'S EXHIBITS:

Exhibit 1	7
Exhibit 2	7
Exhibit 3	8
Exhibit 4	11
Exhibit 5	12
Exhibit 6	13
Exhibit 6A	13
Exhibit 7	13
Exhibit 8	14
Exhibit 9	18
Exhibit 10	19
Exhibit 11	20
Exhibit 12	20

\* \* \*

1           WHEREUPON, the following proceedings were had  
2           at 8:45 a.m.:

3           EXAMINER STOGNER: Let's call the next case,  
4           Number 10,599.

5           MR. STOVALL: Application of Mewbourne Oil  
6           Company for compulsory pooling and an unorthodox gas  
7           well location, Eddy County, New Mexico.

8           EXAMINER STOGNER: Call for appearances.

9           MR. BRUCE: Mr. Examiner, Jim Bruce from the  
10          Hinkle Law Firm in Santa Fe, representing the  
11          Applicant.

12          I have two witnesses to be sworn.

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

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

17          (Thereupon, the witnesses were sworn.)

18          EXAMINER STOGNER: You may proceed.

19                       PAUL HADEN,  
20          the witness herein, after having been first duly sworn  
21          upon his oath, was examined and testified as follows:

22                       DIRECT EXAMINATION

23          BY MR. BRUCE

24               Q.    Will you please state your full name and city  
25          of residence?

1           A.    My name is Paul Haden.  I reside in Midland,  
2   Texas.

3           Q.    And who do you work for and in what capacity?

4           A.    I work for Mewbourne Oil Company as a  
5   petroleum landman.

6           Q.    And have you previously testified before the  
7   Division as a landman and been accepted as an expert  
8   petroleum landman?

9           A.    Yes I have.

10          Q.    And are you familiar with the land matters  
11   involved in this case?

12          A.    Yes, I am.

13               MR. BRUCE:  Mr. Examiner, I tender Mr. Haden  
14   as an expert landman.

15               EXAMINER STOGNER:  Mr. Haden is so qualified.

16          Q.    (By Mr. Bruce)  Mr. Haden, would you briefly  
17   state what it is that Mewbourne seeks in this  
18   Application?

19          A.    Mewbourne seeks an order pooling all mineral  
20   interests from the base of the Abo formation to the  
21   base of the Morrow formation underlying the south half  
22   of Section 36, Township 17 South, Range 27 East, for  
23   all pools, formations spaced on 160 and 320 acres.

24               Mewbourne also requests approval of an  
25   unorthodox gas well location for its south-half spacing

1 unit.

2 Q. Referring to Exhibit 1, would you discuss its  
3 contents?

4 A. Exhibit Number 1 is a land plat of the area.  
5 The acreage shaded in yellow is our proposed spacing  
6 unit for this well. The red dot indicates our proposed  
7 location, which is 990 feet from the west line and 660  
8 from the south line of said Section 36.

9 This well will be drilled to test the Morrow  
10 formation, sufficient to test the Morrow formation.

11 Q. Mr. Haden, the ownership looks pretty broken  
12 up here. Will you have another map or plat later on  
13 identifying in a little better detail the offset  
14 ownership?

15 A. Yes, I will.

16 Q. Okay. Moving on to Exhibit 2, would you  
17 discuss the parties whom you seek to force-pool?

18 A. Exhibit Number 2 is a listing of the  
19 ownership currently uncommitted and Mewbourne Oil  
20 Company's interest in this land.

21 We are currently pooling Alma DeShaza  
22 Granberry; Walter E. Granberry, Jr.; Gene Reischman,  
23 Personal Representative of the Estate of L.J.  
24 Reischman, Deceased; Kathryn Kersey Alexander and Marie  
25 Kersey Wade, Trustees of the Revocable Living Trust of

1 Harold Kersey and Mary Ellen Kersey; Judyann Medeiros,  
2 trustee of the Thelma Kersey Methvin Trust dated April  
3 30th, 1987; Margaret Holcomb; Peyton Yates, Frank  
4 Yates, Jr., and S.P. Yates, Personal Representatives of  
5 the Estate of Martin Yates, III, Deceased; S.P. Yates,  
6 B.W. Harper and Frank Yates, Jr., Personal  
7 Representatives of the Estate of Lillie M. Yates,  
8 Deceased; Yates Petroleum Corporation; Thomas W. Flynn;  
9 and Fina Oil and Chemical Company.

10 MR. STOVALL: Mr. Haden, would you provide a  
11 copy of the exhibit to the court reporter so he can get  
12 a spelling of all these names?

13 THE WITNESS: Yes, sir, he has that.

14 MR. STOVALL: He has that, oh, good.

15 Q. (By Mr. Bruce) With respect to these people  
16 on Exhibit 2, are there any who you could not locate?

17 A. There is one particular individual, being  
18 Thomas W. Flynn. His last known address was in  
19 Riverside, Florida, which -- in our later exhibits  
20 shows his address, which the letter was returned to us.

21 Q. Okay. As to the other interest owners,  
22 moving on to Exhibit 3, could you discuss your efforts  
23 to obtain your voluntary joinder?

24 A. Okay. Looking at Exhibit Number 3, Fina Oil  
25 and Chemical Company was first contacted April 8th,



1 1992. They have since furnished us a farmout  
2 agreement, which we have been negotiating the terms of  
3 such agreement with them and changes of the terms of  
4 the farmout agreement which we've requested.

5 You'll note on November 5th, 1992, we had  
6 submitted them an amendatory letter as to their farmout  
7 agreement.

8 They currently are reviewing the contents of  
9 this letter, and I have previously been over to their  
10 office to discuss the contents of this letter, and they  
11 indicated these probably would be okay with their  
12 company.

13 Also --

14 Q. But you haven't received final approval?

15 A. I have not received an executed agreement  
16 from them and final approval of same.

17 As to Yates Petroleum Corporation and the  
18 Yates entities, being the estate of Martin Yates, III,  
19 and Lillie M. Yates, both deceased, there is some  
20 correspondence contained in this Exhibit Number 3.  
21 They tentatively have agreed to join us in this well as  
22 to the extent of their interest in the spacing unit.

23 They are waiting for us to deliver them a  
24 joint operating agreement for their consideration prior  
25 to finally joining us in this well, of which we are in

1 the process of submitting the same to them.

2 The other -- You'll note there are some other  
3 individuals and companies.

4 Kersey and Company, a letter dated May 21st,  
5 1992, that -- We offered to purchase their interests at  
6 that time. There is a later letter in here requesting  
7 them to farm out or join. Mr. Kersey, apparently, I've  
8 been told, died sometime in September. Since that  
9 time, they evidently have sold some of their interest,  
10 some of these parties being Margaret Holcomb, Kathryn  
11 Kersey Alexander and Marie Kersey Wade, trustees; Alma  
12 Granberry; Judyann Medeiros, Trustee; and they had sold  
13 also to Gene Reischman -- actually, the estate of  
14 Lester J. Reischman.

15 All these people have agreed to sell their  
16 interests to us. We are finalizing a trade with them  
17 in this regard as to the preparation of a mutually  
18 acceptable form of assignment.

19 Q. Once again, those last -- I think it was  
20 about five people you mentioned, they derived their  
21 interest from Kersey and Company?

22 A. That's correct.

23 Q. And your first contact with Kersey was about  
24 six months ago?

25 A. That's also correct.

1           Q.    Now, if this force-pooling is granted and you  
2   later come to terms with any of these parties, will  
3   they be -- will you notify the OCD that they're no  
4   longer bound by the pooling order?

5           A.    Yes, I will.  They will be dismissed from the  
6   force-pooling.

7           Q.    And in your opinion, have you made a good-  
8   faith effort to obtain the voluntary joinder of these  
9   parties?

10          A.    Yes, I think we have.

11          Q.    Does Mewbourne request that it be named  
12   operator of this well?

13          A.    Yes.

14          Q.    In referring to Exhibit 4, would you briefly  
15   itemize the well cost for the proposed well?

16          A.    Exhibit Number 4 is an estimated well cost.  
17   This well is to be drilled to an approximate depth of  
18   10,050 feet.  The cost to casing point is \$448,100, and  
19   the total completed cost is \$762,305.

20          Q.    And is this proposed cost in line with the  
21   cost of other wells that Mewbourne and other operators  
22   have drilled to this depth in this area?

23          A.    Yes, that's correct.

24          Q.    And in fact, Mewbourne has about four or five  
25   other wells they've drilled within a mile or two of

1       this well; is that correct?

2           A.     Yes, that's also correct.

3           Q.     Do you have a recommendation as to the  
4       amounts that Mewbourne should be paid for the  
5       supervision and administrative expenses?

6           A.     We're recommending \$6425 a month be allowed  
7       for a drilling well and \$642 per month be allowed for a  
8       producing well.

9           Q.     And are these amounts in line with the  
10      amounts normally charged by Mewbourne and other  
11      operators in this area for wells of this type?

12          A.     That's what our records show.

13          Q.     And what penalty do you recommend against  
14      nonconsenting interest owners?

15          A.     Costs, well costs, plus 200 percent. This is  
16      a figure used in operating agreements in this area of  
17      New Mexico.

18                 Our geologist will also discuss the  
19      reasonableness of the proposed penalty as well as the  
20      proposed unorthodox location.

21          Q.     Was notice of the force-pooling portion of  
22      this Application given to all of the persons you  
23      previously listed, other than Thomas W. Flynn?

24          A.     Yes, these are described in a packet of data  
25      marked Exhibit Number 5.

1           Q.   And these are the letters and certified  
2 return receipts?

3           A.   That's also correct.

4           Q.   Now, moving to the unorthodox location part  
5 of the Application, please refer to Exhibits 6 and 6A  
6 and discuss the offset operators.

7           A.   Exhibit Number 6 is a plat with a -- numbers  
8 allocated to different tracts.

9                   And tract 1 it represents in the west half of  
10 the northeast quarter of Section 35, Mewbourne Oil  
11 Company as the owner. And tract 2, being the east half  
12 of the northeast quarter, Section 35, is Mewbourne Oil  
13 Company and Devon Energy Corporation.

14                   All these other tracts are listed on this  
15 plat, and the Exhibit 6A describes the tract ownership.

16           Q.   And it itemizes who is the owner of each  
17 tract?

18           A.   Right, that's what it does.

19           Q.   And have all of these offset operators or  
20 lessees been notified of the unorthodox location  
21 portion of the Application?

22           A.   Yes, they have, and you'll see in Exhibit  
23 Number 7, they were notified -- the offset owners or  
24 operators were notified.

25                   Also attached is a couple of waiver letters

1       executed by A.W. Rutter, Jr., independent executor of  
2       the estate of A.W. Rutter. Also G.L. Wilbanks, W.E.  
3       Jeffers, and Arco Oil and Gas Company. Also Fina Oil  
4       and Chemical Company.

5           Q.    And is Exhibit 8 your affidavit regarding the  
6       notice given to all persons interested in this case?

7           A.    That's correct.

8           Q.    And were Exhibits 1 through 8 prepared by you  
9       or under your direction?

10          A.    Yes, that's correct.

11          Q.    And in your opinion, is the granting of this  
12       Application in the interests of conservation and the  
13       prevention of waste?

14          A.    Yes.

15               MR. BRUCE: Mr. Examiner, at this time I move  
16       the admission of Exhibits 1 through 8.

17               EXAMINER STOGNER: Exhibits 1 through 8 will  
18       be admitted into evidence.

19               MR. STOVALL: Mr. Bruce, we would request  
20       that you or Mr. Haden prepare Exhibit A to Exhibit 8,  
21       if you will, which lists the parties to whom the notice  
22       was given.

23               MR. BRUCE: Okay.

24               MR. STOVALL: It just...

25               THE WITNESS: This being the same parties

1 who --

2 MR. STOVALL: Yeah, it would be the same  
3 parties that show up in the letter. It's just easier  
4 to manage, when you're looking at it --

5 THE WITNESS: Yeah, I understand.

6 MR. STOVALL: -- and checking it, to not have  
7 to go through every single letter.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Mr. Haden, in referring to Exhibit Number 2,  
11 on the first page I show Yates show up twice.

12 On that first tract or first amount of  
13 acreage described you have Yates Petroleum Corporation  
14 uncommitted down there at the bottom.

15 A. Right.

16 Q. And then if you go on down to the bottom of  
17 the page, you have Yates Petroleum Corporation again,  
18 but they show to have joined.

19 What's --

20 A. That's a typo.

21 Q. Oh, okay.

22 A. That should have had "uncommitted" in  
23 parentheses there. My secretary is good, but  
24 occasionally she makes mistakes.

25 Q. So looking at the bottom of the second page,

1 Mewbourne controls or owns 42 -- approximately 42 1/2  
2 percent, and you're force-pooling, at this time,  
3 approximately 57 1/2 percent; is that correct?

4 A. That's right.

5 Q. On your overhead charge of \$6425 and \$642,  
6 this is for a well --

7 MR. STOVALL: -- 10,050.

8 Q. (By Examiner Stogner) -- going to a depth of  
9 10,050?

10 A. Right.

11 Q. Now, you mentioned these figures were  
12 utilized in other compulsory pooling cases or voluntary  
13 pooling orders in the surrounding area.

14 A. Right, these rates were described in the  
15 previous testimony of a Case Number 10,484. And an  
16 order was issued under that, being R-9684. This was as  
17 to the north half of Section 35 in Township 17 South,  
18 Range 28 East.

19 Q. And what was the depth of that well?

20 A. That was roughly 10,500, as I recall.

21 Q. A Morrow test, essentially?

22 A. Right.

23 EXAMINER STOGNER: I have no other questions  
24 of Mr. Haden at this time. You may be excused.

25 Mr. Bruce?



1 MR. BRUCE: Okay, one thing I'd like to point  
2 out, in the case that Mr. Haden just mentioned he did  
3 present testimony on the rates. I don't remember  
4 exactly what the dollar figures were that the OCD  
5 granted for overhead rates.

6 THE WITNESS: I've got those if you'd like  
7 them.

8 EXAMINER STOGNER: Okay, why don't you read  
9 them to me?

10 MR. BRUCE: The actual rates granted were  
11 \$6167 and \$626.50, although Mr. Haden did testify as to  
12 the rates he just requested.

13 Call Mr. Harmon to the stand.

14 DEXTER HARMON,  
15 the witness herein, after having been first duly sworn  
16 upon his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the  
20 record?

21 A. My name is Dexter Harmon.

22 Q. And where do you reside?

23 A. Midland, Texas.

24 Q. Who are you employed by and in what capacity?

25 A. I'm employed by Mewbourne Oil Company. I'm a

1 district geologist.

2 Q. Have you previously testified before the  
3 Division as an expert petroleum geologist?

4 A. Yes, I have.

5 Q. And are you familiar with the geological  
6 matters relating to this case?

7 A. Yes, I am.

8 Q. Mr. Examiner, I tender Mr. Harmon as an  
9 expert petroleum geologist.

10 EXAMINER STOGNER: Mr. Harmon is so  
11 qualified.

12 Q. (By Mr. Bruce) Mr. Harmon, would you please  
13 refer to Exhibit Number 9 and discuss the production in  
14 the area of interest?

15 A. Exhibit Number 9 is a Morrow production study  
16 of all the wells that have penetrated the Morrow in a  
17 nine-section area.

18 You can see on this map, there have been ten  
19 Morrow wells drilled in this area, of which four of  
20 them are good wells, being the well in the north half  
21 of Section 1, the west half of Section 6, and the two  
22 wells in Section 7.

23 On this map you can see that we'd like to  
24 drill our Chalk Bluff 36 State Number 1 at a proposed  
25 location of 660 from the south line and 990 from the

1 west line, Section 36, 17 South, 27 East, Eddy County,  
2 New Mexico.

3 Also shown on this map is a cross-section, K  
4 to K', which will delineate the different Morrow sands  
5 that we're interested in.

6 Q. Why don't you move on to that cross-section  
7 and discuss those sands? And that is marked Exhibit  
8 10.

9 A. Exhibit 10 is a Morrow stratigraphic cross-  
10 section labeled K to K'. It goes from the northwest to  
11 the southeast through this nine-section area. This is  
12 the general strike deposition of -- direction of the  
13 Morrow sands. It's a four-well cross-section.

14 Each well shows a resistivity log and  
15 porosity log, except for the Mewbourne Chalk Bluff  
16 Federal Number 2, which is a cased-hole log.

17 It shows all of the stands given a color that  
18 we're interested in hitting in this area, Middle Morrow  
19 Green Sand, Lower Morrow Orange and Brown Sand and a  
20 basal Morrow Yellow Detrital zone, and of all the pay  
21 in different wells in this area.

22 The first well in the cross-section, Carper  
23 Sivley Magruder Number 15, had a drill stem test in the  
24 Morrow that covered an interval of 9545 to 9850.  
25 During this drill stem test, they reported flowing 7

1 million cubic feet of gas a day. The well was later  
2 IP'd from what we call Lower Morrow Brown Sand  
3 perforations for 60 barrels of oil per day, but the  
4 production never showed up in the production book, so I  
5 guess it was never hooked up.

6 The next two wells on the cross-section were  
7 drilled by Mewbourne Oil Company. The first one is the  
8 Chalk Bluff Federal Number 2, which is currently  
9 producing from the Lower Morrow Orange Sand at about  
10 1.8 million cubic feet of gas a day, and the other well  
11 is the Chalk Bluff "6" State Number 1, which is  
12 producing from the Lower Morrow Brown Sand at a current  
13 rate of over 2 million cubic feet of gas a day.

14 We've got isopachs of the sand, a couple of  
15 the sands shown in cross-section.

16 Q. Mr. Harmon, does the Brown Sand show up in  
17 the Mewbourne well immediately to the south of the  
18 proposed location?

19 A. The Lower Morrow Brown Sand is not present in  
20 the Mewbourne Chalk Bluff Federal Number 2 well in the  
21 north half of Section 1, but it is the sand that was  
22 perf'd and IP'd in the well in Section 35, and also  
23 it's the big producer in our well in Section 6, and it  
24 is one of the main objectives of this prospect.

25 Q. Would you then move on to Exhibits 11 and 12

1 together, which are the isopachs, and discuss them for  
2 the Examiner?

3 A. Exhibit Number 11 is a gross Lower Morrow  
4 Brown Sand isopach. It's contoured on a 10-foot  
5 interval. It's the Lower Morrow Brown Sand on the  
6 cross-section.

7 You can see the south half of Section 36, the  
8 proposed location is marked by a circle, while the  
9 standard location is marked by and X.

10 In this area we feel like we need ten foot of  
11 net porosity to make a good well in one of these Morrow  
12 sands.

13 A lot of these numbers on the map are -- the  
14 numbers on the map are the net porosity greater than 8  
15 percent over the gross sand, and you can see that in a  
16 lot of instances the net porosity does not equal the  
17 gross amount of sand, so you need a little more gross  
18 sand to insure that you get a -- ten foot of net sand  
19 and you're able to make a commercial well.

20 Q. And does the same apply to the Orange Sand?

21 A. Yes.

22 Q. With respect to the compulsory-pooling  
23 portion of the Application, what risk do you -- risk  
24 penalty do you recommend against nonconsenting interest  
25 owners?

1           A.    We recommend well costs plus 200 percent.

2           Q.    And in your opinion, is that justified by the  
3 geologic risk involved in drilling this well?

4           A.    Yes, it is.

5           Q.    And were Exhibits 9 through 12 prepared by  
6 you?

7           A.    Yes, they were.

8           Q.    And in your opinion, is the granting of this  
9 Application in the interests of conservation and the  
10 prevention of waste?

11          A.    Yes, it is.

12               MR. BRUCE:  Mr. Examiner, at this time I  
13 would move the admission of Exhibits 9 through 12.

14               EXAMINER STOGNER:  Exhibits 9 through 12 will  
15 be admitted into evidence at this time.

16                               EXAMINATION

17               BY EXAMINER STOGNER:

18           Q.    Mr. Harmon, you said that nine foot of net  
19 porosity is needed to get a good well.  Is this for  
20 each zone or a combination, say, the Orange and the  
21 Brown?

22           A.    Nine foot -- Excuse me, ten foot of net  
23 porosity is what we're looking for to make a well, and  
24 we could have a few feet in Orange and a few feet in  
25 Brown.  If it added up to 10, we'd be happy and set

1 pipe on the well.

2 Q. Okay. Now, referring back to your cross-  
3 section, you show a Yellow zone, the Yellow Detrital,  
4 and --

5 A. That zone produced in the Chalk Bluff Federal  
6 Number 2, in the north half of Section 1. We set a  
7 cast-iron bridge plug above that zone -- it was a poor  
8 producer -- in 9 of 92, and we're currently producing  
9 out of the Lower Morrow Orange Sand. The well has been  
10 recompleted.

11 Q. Do you propose to test this, I assume,  
12 according to your map, that you propose to at least --

13 A. We'll drill through the zone and certainly  
14 evaluate it.

15 Q. And that 10,050 foot will give you enough  
16 depth to be able to penetrate that zone?

17 A. Yes, it will. You can see from the structure  
18 on our isopach maps that we'll be going updip, oh,  
19 almost 70 feet, and that should take care of it.

20 Q. You show another proposed well, and that is  
21 the Chalk Bluff Federal Number 3. That's not the  
22 subject of this case today, but is this well going to  
23 be based upon what you find in this one today, or the  
24 well that you're proposing today?

25 A. That well is already -- The case has already

1     been heard for that well, and it was approved, and that  
2     well will be spudding before the end of the month.

3           Q.     Okay.  Would that have been the previous  
4     case, Order R-9684, that was alluded to earlier?

5           MR. BRUCE:  No, no.

6           MR. STOVALL:  That was just an unorthodox-  
7     location case, right?  You were talking about a force-  
8     pooling case?

9           MR. BRUCE:  The force-pooling case was heard  
10    early this year.

11          MR. HADEN:  That was back in June or --

12          MR. BRUCE:  The case regarding overhead rates  
13    was heard sometime early this year, and this -- the  
14    case on the Chalk Bluff Number 3 was heard in October  
15    of this year.

16          EXAMINER STOGNER:  And that was a compulsory-  
17    pooling case?

18          MR. BRUCE:  The -- Which?

19          EXAMINER STOGNER:  For the Number 3?

20          MR. BRUCE:  The Chalk Bluff Number 3 was not.  
21    It was a nonstandard location and simultaneous  
22    dedication.

23          MR. STOVALL:  Is that the one where the --  
24    Has an order been issued on that?

25          MR. BRUCE:  Yes, about two weeks ago.



1 MR. STOVALL: Is that the one where the  
2 Division granted an exception to its standard policy  
3 and allowed simultaneous production?

4 MR. BRUCE: Yes, the two wells -- the  
5 existing well in the south half, which is the Chalk  
6 Bluff Number 1, and then that proposed well that the  
7 Examiner was talking about.

8 MR. STOVALL: But that order did permit those  
9 two wells to produce simultaneously?

10 MR. BRUCE: That's correct.

11 MR. STOVALL: The Number 1 was a fairly low  
12 producer; is that right?

13 MR. BRUCE: That's correct.

14 MR. STOVALL: Okay.

15 THE WITNESS: And we'll be spudding that well  
16 before the end of the month. We're waiting on a rig  
17 right now, which is --

18 Q. (By Examiner Stogner) Mr. Harmon, since  
19 we're on the Number 3 subject, were you the witness at  
20 that particular case?

21 A. Yes, I was.

22 Q. Did you have the same geological information  
23 presented at that time as you are today?

24 A. Yes, I did.

25 Q. And did it extend up there into Section 36,

1 so if I lay these over with those exhibits I'd see the  
2 same geological information?

3 A. These are the same maps.

4 Q. Okay. In fact, I see that they were prepared  
5 in September of 1992, looking down at the bottom of  
6 these exhibits.

7 A. All we've added is a proposed location of 36.

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

10 If not, he may be excused.

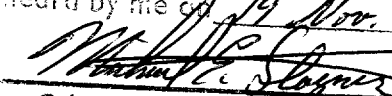
11 Mr. Bruce, do you have anything further in  
12 this case?

13 MR. BRUCE: Nothing further, Mr. Examiner.

14 EXAMINER STOGNER: Pending the additional  
15 attachment to Exhibit Number 8, which will be submitted  
16 as Exhibit Number 8A, the list for Mr. Stovall -- I'll  
17 keep the record open for that particular information.  
18 Other than that, I'll take this case under advisement.

19 (Thereupon, these proceedings were concluded  
20 at 9:15 a.m.)

21 \* \* \*

22 I do hereby certify that the foregoing is  
23 a complete and true record of the proceedings in  
24 the Examiner hearing of Case No. 10599,  
25 heard by me on 19 Nov. 1992.  
  
Michael E. Stogner, Examiner  
Oil Conservation Division

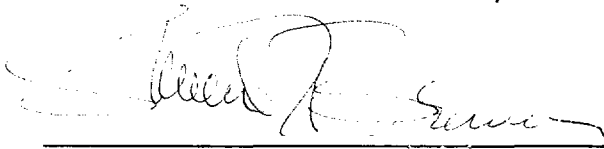
## 1 CERTIFICATE OF REPORTER

2  
3 STATE OF NEW MEXICO )  
4 ) ss.  
COUNTY OF SANTA FE )

5  
6 I, Steven T. Brenner, Certified Court  
7 Reporter and Notary Public, HEREBY CERTIFY that the  
8 foregoing transcript of proceedings before the Oil  
9 Conservation Division was reported by me; that I  
10 transcribed my notes; and that the foregoing is a true  
11 and accurate record of the proceedings.

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

16 WITNESS MY HAND AND SEAL November 22nd, 1992.

17  
18   
19 STEVEN T. BRENNER  
CCR No. 7

20 My commission expires: October 14, 1994  
21  
22  
23  
24  
25