

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4
5

6 EXAMINER HEARING
7

8 IN THE MATTER OF:
9

10 Application of Hal J. Rasmussen Cases 9774
11 Operating, Inc., to amend 9775, 9776
12 Division Orders Nos. R-6483,
13 and R-8575, and for special
14 gas metering provisions in Lea
15 County, New Mexico
16
17

18 TRANSCRIPT OF PROCEEDINGS
19

20 BEFORE: MICHAEL E. STOGNER, EXAMINER
21

22 STATE LAND OFFICE BUILDING

23 SANTA FE, NEW MEXICO

24 October 4, 1989
25

ORIGINAL

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1 HEARING EXAMINER: This hearing will come
2 to order. I'll call next case No. 9774, which is the
3 application of Hal J. Rasmussen Operating, Inc., to
4 amend Divison Orders Nos. R-6483 and R-8575, and for
5 special gas metering provisions in Lea County, New
6 Mexico.

7 At this time I'll call for appearances.

8 MR. CARR: May it please the Examiner, my
9 name is William F. Carr with the law firm of Campbell
10 & Black, P.A., Santa Fe. I represent Hal J. Rasmussen
11 Operating, Inc., and I have one witness.

12 I also would request that this case be
13 consolidated with the two following cases on the
14 docket, cases 9775 and 9776. They involve the same
15 properties, and the testimony will be substantially
16 overlapping in each of the cases.

17 HEARING EXAMINER: Are there any
18 objections?

19 MS. REUTER: Yes. Mr. Examiner, I'm Joanne
20 Reuter from the Gallegos law firm, and I represent
21 Doyle Hartman. I'll have one witness also, Daniel S.
22 Nutter, but we would object to the consolidation of
23 the cases, partly because we object to Case 9775 in
24 the format that it's brought before the examiner, that
25 of an application for multiple nonstandard proration

1 units, multiple unorthodox well locations, and
2 simultaneous dedication.

3 It's our position that it's virtually
4 impossible for us to evaluate that application, that
5 it should be brought as individual applications for
6 nonstandard units and unorthodox well locations, and
7 that by consolidating the three cases, it makes it
8 even more complicated.

9 MR. CARR: Mr. Examiner, I believe this
10 objection was raised in a letter from Mr. Hartman that
11 Miss Reuter has filed with the Division. We resist
12 that. The testimony is basically the same as to each
13 of these, and it will facilitate an efficient hearing,
14 if nothing else, to put them on at one time.

15 What we are doing, each of these cases is
16 part of one overall plan to efficiently develop a
17 particular portion of the Jalmat Gas Pool, and is all
18 necessary as part of a plan to put in a new gathering
19 system that will enable more efficient production, and
20 it makes sense to do it all at one time.

21 In addition, and in view of Mr. Hartman's
22 objections, I think before we go forward, we would ask
23 exactly what his ownership interest is in each of the
24 tracts, ask that those be identified, because by
25 identifying those, we might be able to determine

1 exactly what his standing is for bringing these
2 objections.

3 Our land work, since the objections were
4 filed, has been rechecked, and we have determined that
5 he is not an offsetting operator or an operator of any
6 tract within any of the sections or any of the units
7 that would be excluded by a nonstandard unit. Not
8 knowing exactly what his interest is, we do question
9 his standing.

10 We resist any effort to try and hear these
11 individually, to break what is now three cases into,
12 say, 25 cases. Certainly when we look at the metering
13 aspects, the commingling aspect, we object to that,
14 and further request, as a preface to the objection, we
15 would like to have an exact understanding of what Mr.
16 Hartman's ownership is.

17 HEARING EXAMINER: Miss Reuter?

18 MS. REUTER: Mr. Hartman is not an
19 offsetting operator. We are fairly sure of that. For
20 me to tell you exactly where he has working interests
21 in offsetting units, which is my understanding of what
22 his interest in this case is, I would need Mr. Nutter
23 to testify to that.

24 The other problem that we've had is we
25 can't tell just by virtue of the applications that

1 were filed and by virtue of the notices that Mr.
2 Hartman received on the OCD hearings, exactly what
3 offsetting interests, working interest, he does have.

4 Partly, that raises my request for
5 continuance, which I have raised in my letter to you
6 previously, that this case be continued until we have
7 more opportunity to evaluate exactly what's going on
8 in this application and possibly do some discovery.
9 And I would renew that request at this time.

10 It's very difficult to assess an
11 application for nonstandard proration units in
12 unorthodox locations in, I think it's 18 sections. As
13 Mr. Carr has said, the other two applications are
14 related to them.

15 The notice was not even clear as to what
16 special metering is being sought, and it conflicts
17 with the applications themselves.

18 Mr. Hartman obviously didn't get notice
19 previous to the docket because he is not an operator
20 on any offsetting units, but it's my understanding
21 that he is an offsetting working interest owner.

22 The other standing that Mr. Hartman has in
23 this case is that he is a potential producer of the
24 Jalmat Pool, and I'm sure, as the hearing examiner
25 knows, has been for a long time.

1 These applications appear to have an effect
2 on the allocation of allowables and may possibly have
3 a precedential effect for the setting of allowables
4 and application of the allowable system in different
5 wells in the Jalmat Pool. And as an operator and
6 developer in that pool, he has standing to object to
7 this application.

8 HEARING EXAMINER: Before we get muddled in
9 any further motions and such, if I may, since these
10 are in the same area, in the Jalmat, and in the same
11 general area as the leases now owned by Hal Rasmussen,
12 I'm going to consolidate these cases. And, Miss
13 Reuter, if you choose, after we hear testimony today,
14 you can renew your request for a continuance, and I'll
15 decide on that motion at that time.

16 So at this time I'm going to now call cases
17 No. 9775 and 9776, which 9775 is the application of
18 Hal J. Rasmussen Operating, Inc., for nonstandard gas
19 proration units, unorthodox gas wells, simultaneous
20 dedication, and special gas metering provisions, Lea
21 County, New Mexico.

22 Case No. 9776 is the application of Hal J.
23 Rasmussen Operating, Inc., for surface commingling,
24 Lea County, New Mexico.

25 I assume, Mr. Carr, that you will be

1 representing the Applicant in this matter?

2 MR. CARR: Yes, in all three cases.

3 HEARING EXAMINER: And, Miss Reuter, the
4 same for you? Will you be representing Doyle Hartman
5 in all of these cases?

6 MS. REUTER: That's correct, Mr. Hearing
7 Examiner.

8 HEARING EXAMINER: Are there any other
9 appearances in any or all three of these cases?

10 Mr. Carr, you have one witness?

11 MR. CARR: Yes, I do, and, Miss Reuter, you
12 have a witness?

13 MS. REUTER: One witness.

14 (Witnesses sworn.)

15 HEARING EXAMINER: Mr. Carr?

16 MR. CARR: At this time, I'd call Mr.
17 Stamets.

18 RICHARD L. STAMETS,
19 the witness herein, having been first duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q. Will you state your full name for the
24 record, please.

25 A. I'm Richard L. Stamets.

1 Q. Mr. Stamets, where do you reside?

2 A. I live in Santa Fe, New Mexico.

3 Q. By whom are you employed, and in what
4 capacity?

5 A. I'm a private consultant operating out of
6 Santa Fe. I've been retained by Rasmussen Operating,
7 Inc., in this case to help them with preparation of
8 the case, bringing this case to the Commission and
9 seeing it through to conclusion.

10 Q. Have you previously testified before the
11 Oil Conservation Division and had your credentials
12 accepted and made a matter of record?

13 A. Yes, I have.

14 Q. How were you qualified at that time?

15 A. Well, as a geologist and conservation
16 consultant, I suspect.

17 Educational background, I have a Bachelor
18 of Science Degree in geology, Ohio State University,
19 in 1956, and I had 29-1/4 years' employment with the
20 Oil Conservation Division as a geologist, technical
21 support chief, hearing examiner, and, ultimately,
22 director.

23 Q. Are you familiar with the applications that
24 have been filed in the consolidated cases on behalf of
25 Rasmussen Operating, Inc.?

1 A. Yes.

2 Q. Have you made a study of the subject area?

3 A. Yes.

4 Q. Are you familiar with what Rasmussen seeks
5 in each of these cases?

6 A. Yes.

7 MR. CARR: Are the witness's qualifications
8 acceptable?

9 HEARING EXAMINER: Are there any objections
10 to Mr. Stamets' qualifications?

11 MS. REUTER: No objections.

12 HEARING EXAMINER: Thank you. So
13 qualified.

14 Q. (BY MR. CARR) Would you so state what
15 Rasmussen Operating, Inc., seeks with these
16 applications?

17 A. Rasmussen is seeking approval of 16
18 nonstandard proration units in the Jalmat gas Pool;
19 approval of one standard proration unit in the Jalmat
20 Pool out of previously approved nonstandard units'
21 approval of Jalmat gas well locations within each of
22 the units; simultaneous dedication of the wells on the
23 units in the Jalmat Pool, on the units that they're
24 located on; and special metering authorization for all
25 proration units on Rasmussen State A, Accounts 1, 2,

1 and 3, which are the subject of these cases.

2 Q. Mr. Stamets, does Rasmussen also seek
3 amendment of certain Oil Conservation Division orders?

4 A. Yes. Perhaps "amendment" isn't the exact
5 word, but there is one section which is otherwise
6 unaffected by this application, which is proposed to
7 be subject to the metering authorization.

8 Q. And that is Section 11 of 22 South, 36
9 East?

10 A. That's correct.

11 Q. Are you also seeking authority for surface
12 commingling?

13 A. Yes, sir.

14 Q. When did Mr. Rasmussen or Rasmussen
15 Operating, Inc., acquire its interest in these
16 properties?

17 A. The properties were assigned to Rasmussen
18 Operating as of 10-1-88. He assumed actual operations
19 as of 11-30 of 88, and since that time he's been
20 systematically evaluating existing wells, looking at
21 decline curves, looking in wells being loaded up,
22 cleaning out wells, acidizing wells, putting wells on
23 the pump.

24 Q. What problems have been encountered with
25 the Rasmussen properties as to the development and

1 operation of these properties since their acquisition?

2 A. When we look at the Jalmat Gas Pool wells,
3 those have been put on pump to get the liquids off of
4 the perforations so that the gas can flow to the
5 surface. And it's been a little tricky to get that
6 balanced out so that the pumps don't gas log but so
7 that the fluid level does not rise high enough above
8 the producing interval to keep the gas from
9 producing.

10 Also, if these wells are shut in after
11 they've been on production for a while, it may take
12 anywhere from 1 to 60 days to get the production back
13 up to the level that it was before the well was shut
14 in.

15 They have had some trouble with operating
16 lines in the area. The wells were originally
17 connected to El Paso. El Paso has a 30-pound line,
18 60- to 90-pound lines operating in the area, and
19 sometimes the pressure in the line was so high that it
20 knocked these wells off, and they had to be shut in.

21 There have been delays of three to four
22 months in getting wells hooked back up. The pipeline
23 also wanted a rather large amount of money to set a
24 meter run. Of course, there are always low gas
25 prices, gathering line losses, plant losses, that sort

1 of thing.

2 Q. What does Rasmussen propose to do to
3 resolve these problems?

4 A. Rasmussen is in the process right now of
5 putting in its own gathering line, which will be a low
6 pressure system operating 20 to 25 pounds through a
7 compressor. They will currently be selling to
8 Northern's low pressure system in the area. They want
9 to redesignate a number of the proration units in the
10 area so that they can get the allowable to the wells
11 that will be able to produce it.

12 And, overall, their intention is to reduce
13 production and gathering costs in the area so that
14 they can operate this property more efficiently, keep
15 the wells on, keep them not shut in.

16 Q. Have you prepared certain exhibits for
17 presentation in this hearing?

18 A. Yes. I've either prepared them, or they
19 have been prepared at my direction.

20 Q. Would you refer to what has been marked for
21 identification as Applicant's Exhibit 1. This is a
22 large, general orientation plat that has been put up
23 on the wall, and maybe you should go to the plat, and
24 I'd ask you first to identify the exhibit and review
25 the information on that exhibit.

1 A. Exhibit No. 1 is the right hand of the two
2 that we have on the wall here. This is a
3 computer-generated map of the area. It shows within
4 the red-dashed outline all of the Rasmussen leases.
5 We're only dealing with two leases here. The State
6 A-983 lease, which is what's currently called the
7 State A, Account 1 and State A, Account 2, and there
8 is the State B-1484 lease, which is currently
9 designated the State A, Account 3.

10 Q. Mr. Stamets, in that second lease, the
11 B-1484 lease, how much of the acreage involved in this
12 application is actually governed by that particular
13 lease?

14 A. That's one half-section, the east half of
15 10 23 36.

16 Q. And everything else is under one state
17 lease?

18 A. That's correct.

19 Q. If you would go ahead, please.

20 A. Also shown on the map with hachure marks
21 are the proration units as we hope to have after an
22 order is issued in this case. These will include some
23 standard units, 640 acres. Most of them though will
24 be nonstandard units.

25 In the green solid lines on the east side

1 of the map are shown Northern Natural's gas lines in
2 the area, plus there's lateral that runs through the
3 center of the map.

4 In the dashed line, we have Rasmussen's
5 gathering line, which is currently under construction
6 there to be a compressor, located in the northeast of
7 13-23-36 and the sales connection will be on
8 Northern's line in 18-23-37.

9 We have shown in various areas here, and
10 it's difficult for the examiner to see, but you'll see
11 them better on some plats later on, but every once in
12 awhile there's a little rectangle in here with a
13 number of little dots, and those are the existing tank
14 batteries in the units.

15 Let's see if there's anything else. All
16 the wells in the area are shown. We discovered this
17 morning that the computer had failed to put one well
18 on in the south half of Section 3, and we've put that
19 on. That's the gas wells that look like spastic
20 octopi.

21 In addition on the one that I plan to leave
22 with the examiner, I put red triangles around each of
23 the Jalmat wells that had already been put back on
24 pump and put back on production by Rasmussen.

25 There are a couple of wells which have

1 circles around them. Those are wells I have which
2 have been worked over. They've come back up from the
3 deeper Morrison and attempted Jalmat completions in
4 those.

5 MS. REUTER: I have an objection. Could we
6 identify those wells that you're talking about that
7 have the triangles because they're not marked on our
8 exhibit?

9 MR. CARR: I don't believe that's an
10 objection. We'll be happy to identify them for you.

11 HEARING EXAMINER: Why don't we recess
12 until you guys can identify --

13 MR. NUTTER: Mark and read it into the
14 record?

15 MR. STOVALL: Which would be easier?

16 MR. CARR: It makes no difference to us.
17 Whatever would accommodate Miss Reuter.

18 HEARING EXAMINER: We will go off the
19 record.

20 (Thereupon, a discussion was held
21 off the record.)

22 HEARING EXAMINER: Let's go back on the
23 record. This hearing will resume.

24 Mr. Carr, I believe it was your turn.

25 Q. (BY MR. CARR) Mr. Stamets, you've been

1 reviewing the wells on Exhibit No. 1 for Mr. Nutter.
2 Do you have anything further to present in regard to
3 Exhibit No. 1?

4 A. I would point out that each one of the
5 proration units has a number in a box, and that will
6 correspond to related exhibits later in the testimony.

7 Q. Would you identify what has been marked as
8 Exhibit 1-A?

9 A. Exhibit 1-A is an ownership map which is in
10 the examiner's packet of exhibits and in everybody
11 else's. That's submitted just for informational
12 purposes only, and we don't intend to refer to it
13 otherwise.

14 Q. How current is this map?

15 A. We called the Midland Mapping Company
16 yesterday, and this was delivered this morning.
17 That's about as current as you can get.

18 Q. Mr. Stamets, I'd like to direct your
19 attention to the cases that relate to the nonstandard
20 proration units and unorthodox locations and
21 simultaneous dedication of the Jalmat gas units, and I
22 would direct your attention to Exhibit No. 2 which has
23 also been placed on the wall, and I would ask you to
24 identify this and review for the examiner what it
25 shows.

1 A. Exhibit No. 2 is the same map that we have
2 for Exhibit No. 1. The only difference is that the
3 proration units are colored in as they currently
4 exist, plus within each unit is the order number which
5 authorized that unit.

6 You'll see some around where there are 160
7 acres where it says 1953, and that is a unit which was
8 grandfathered in when the spacing was changed from 160
9 acres to 640 acres.

10 Q. On this exhibit there are certain units
11 which have not changed; is that not correct?

12 A. That's correct.

13 Q. If you'll look at unit 11.

14 A. These are in the southern portion of the
15 exhibit -- unit 11 in Section 11 is unchanged. Unit
16 17 in Section 23, and unit 18 in Section 24 are
17 unchanged. We're hopeful to wind up with basically
18 one order here that will have all of our units, all of
19 our nonstandard units, instead of having to rely on
20 the numerous orders that existed before today's
21 hearing.

22 Q. Do you have anything further to review with
23 Exhibit No. 2?

24 A. No.

25 Q. Would you now identify what has been marked

1 as Applicant's Exhibit No. 3.

2 A. Yes. Exhibit No. 3 are those pages of the
3 special rules that go with Order R-8170 that apply to
4 the Jalmat Gas Pool.

5 Q. This is not all of that order; is that
6 correct?

7 A. That's correct, these are only the special
8 rules.

9 Q. Would you review just the rules that relate
10 to spacing, well locations, and allowables?

11 A. Yes. If I could call the examiner's
12 attention to the second page of the exhibit, Rule
13 2-A-1 sets out the standard 640-acre unit in the
14 Jalmat Gas Pool. Rule 2-B-1 sets out the standard
15 location at 1650 from the outer boundary of the unit
16 for the 640-acre unit.

17 Rule 4-B-2 is a rule which tends to limit
18 the amount of acreage you may have at various well
19 locations. So, for example, if you've got a 660-foot
20 well out of the corner, under this rule you're not
21 allowed to dedicate more than 160 acres. That's part
22 of the reason we're here today.

23 The final one I would mention is Rule 5-A,
24 which gives a standard 640-acre unit an acreage factor
25 of four, and that's relatively unusual. Normally, a

1 standard unit is given an acre factor of one for
2 allowable purposes.

3 Q. All right, Mr. Stamets, I'd like you now to
4 identify what has been marked Applicant's Exhibit No.
5 4.

6 A. Exhibit No. 4 is a series of somewhat
7 larger-scaled plats. They're 16 pages. This would
8 represent all of the units except No. 3 and No. 5,
9 which are the 640 units. We'll be talking about those
10 in a minute.

11 I'd also like to suggest that the examiner
12 may want to pull out Exhibit No. 7 at this point.

13 Exhibit No. 7 lists all of the units,
14 again, numerically, sets out what's to be in the unit,
15 their size, and lists the wells which we are seeking
16 to have approved in those units both as to location
17 where necessary and for simultaneous dedication.

18 Q. Does this Exhibit No. 7 identify those
19 wells which are after proration units are restructured
20 at unorthodox well locations?

21 A. That's correct. Each of these wells is
22 identified by the initials "NSL" in the far right
23 column.

24 Q. Those would be at standard locations based
25 on the Jalmat rules set forth in Exhibit 3?

1 A. That's correct.

2 Q. Would you review what's shown on Exhibit
3 No. 4.

4 A. Exhibit No. 4, again, as I said, is
5 basically the same as Exhibit 1, a little bit larger
6 scale, and a little bit easier to see.

7 Let's just take the first page here. We're
8 looking at unit No. 1 in Section 5 22 36. We see on
9 here all of the wells in that section. You'll see
10 down below the No. 5, the little rectangle with the
11 battery and that battery number. That's Account 2,
12 Battery 2, and a natural tie-in with other exhibits
13 that we have in this case.

14 The lateral which is to serve this section
15 is shown in the southern portion of the section. And
16 also by the hachures you'll see what's to be
17 dedicated. In this case you'll see that the northeast
18 quarter is not to be dedicated to this unit.

19 Q. Mr. Stamets, why have certain tracts been
20 excluded, like the northeast quarter?

21 A. Tracts have been excluded either when
22 Rasmussen was not the operator, or where there were
23 oil wells in the Jalmat Pool which would preclude
24 simultaneous dedication of that acreage.

25 Q. If we look at each of these plats, and

1 we're asking for approval of the locations and
2 simultaneous dedication, are we talking about only
3 wells that are currently in existence?

4 A. Yes.

5 Q. You're not addressing any new or additional
6 wells to be drilled in the Jalmat Pool?

7 A. That's correct.

8 Q. Do you have anything further to review from
9 Exhibit No. 4?

10 A. No.

11 Q. Would you now go to what is marked as
12 Rasmussen Exhibit No. 5 and identify that, please.

13 A. Yes. Exhibit No. 5 is one of the two
14 standard units which we're seeking or which should
15 result from this case.

16 In this instance, we had a situation where
17 there were formerly three nonstandard units in this
18 section. We're now seeking a standard 640-acre unit,
19 but we do need the hearing today because we'll want
20 simultaneous dedication of the dedicated wells to the
21 units plus the approval of the nonstandard locations,
22 as you'll see on Exhibit 7.

23 Q. So if we look at Exhibit No. 7, we can see
24 that what we've got are three Jalmat gas wells?

25 A. That's correct.

1 Q. And they're the ones that are indicated by
2 the gas well signs?

3 A. Correct.

4 Q. And that two of those, because of the
5 change in the boundary and the 640-acre unit, will be
6 at nonstandard locations?

7 A. That's correct.

8 Q. And the location of the tank battery is
9 also indicated?

10 A. That's correct.

11 Q. And, again, this is just an enlargement of
12 what is set forth on Exhibit No. 1?

13 A. That's correct.

14 Q. Let's go now to Exhibit No. 6, and I'd ask
15 you to review that for Mr. Stogner.

16 A. Exhibit No. 6 is of an existing, approved
17 nonstandard -- I'm sorry -- standard 640-acre unit.
18 All of the wells on there have been approved for
19 location and simultaneous dedication, all of the
20 Jalmat wells. The only reason for bringing this
21 section in today is for the special metering
22 authorization.

23 Q. Would you now explain to the examiner the
24 status of the ownership under each of the proration
25 units which you have reviewed in Exhibits 4 through 6?

1 A. All of this property is operated by Hal J.
2 Rasmussen. The working interests are identical
3 throughout all of the property. The royalties are the
4 same. It's all state land, and it's all common school
5 land.

6 Q. And even the one-half section covered by
7 separate lease as common schools is a beneficiary
8 under that tract?

9 A. That's correct.

10 Q. In your opinion, are each of these
11 proration units or proposed units productive of
12 hydrocarbons in the Jalmat Gas Pool?

13 A. Yes, in my opinion, they are. Each of the
14 units contains acreage which has in the past been
15 dedicated to Jalmat gas wells. I've looked at the
16 production records in the area. I've looked at wells
17 currently producing out in Jalmat, and I believe
18 they're all productive.

19 Q. Why are you having to seek approval of a
20 number of nonstandard locations if all the wells are
21 currently existing Jalmat wells?

22 A. Well, with the rededication, wells which
23 may have been approved in existing units probably need
24 to be reapproved in these new units, plus some of them
25 which were okay, say, in a 160, 660 out of the corner

1 one, that spacing was increased, say, to 320, have
2 become unorthodox locations.

3 Q. And it's your desire to have all of these
4 matters covered by one particular order; is that it?

5 A. Yes.

6 Q. Mr. Rasmussen or Rasmussen Operating also
7 seeks approval of the simultaneous dedication of the
8 Jalmat gas wells on each of these units; is that
9 correct?

10 A. That's right.

11 Q. Do you foresee any problem with that?

12 A. No. The Jalmat Gas Pool is a prorated
13 pool, and this is just standard procedure when you
14 have multiple wells on these Jalmat units is to have
15 them approved for simultaneous dedication.

16 Q. Is there a precedent for this approach for
17 the simultaneous dedication of Jalmat gas Pools?

18 A. Probably hundreds of precedents. The vast
19 majority of the units in the Jalmat Pool are
20 nonstandard units. I don't know that -- years ago, I
21 looked and I think I found one 640-acre unit with one
22 well on it, and essentially everything else is a
23 multiple well situation.

24 Q. Would you refer to what has been marked for
25 identification as Rasmussen Exhibits 8 and 9?

1 A. Yes. Exhibits 8 and 9 are orders which
2 impact the Section 11 that we spoke of recently. It's
3 the standard unit in which there are no other changes
4 being sought other than special metering
5 authorization.

6 Q. And these orders approve well locations and
7 simultaneous dedication of the wells in that unit?

8 A. That's correct.

9 Q. And the only reason this is included in
10 this case is so that it also is governed by whatever
11 metering procedures are approved?

12 A. That's correct.

13 Q. Let's talk about the metering procedures.
14 How does Rasmussen propose that the production from
15 each of these spacing units be metered?

16 A. I think the easiest way to talk about that
17 is to turn to Exhibit 10. Exhibit 10 is a schematic
18 of a typical tank battery hookup. It's no particular
19 one. It's just what one might be like.

20 If we look at the left-hand side of the
21 exhibit, ignore the oil well header and all the tanks
22 and everything, let's just take a look at that part
23 which is called "gas well header" and the meter runs
24 and so on.

25 What we have here is an illustration of

1 what a unit with five gas wells would look like. We
2 have each well coming to the unit. These units will
3 be located on the gas proration unit itself. The
4 header will be there. Under normal circumstances, one
5 of the wells will be flowing through the test meter
6 every day. The well will be changed every two days
7 sequentially so that in this case, after the 10th day,
8 the first well will go back on test for two days.

9 The remainder of the wells will be flowing
10 through what's called the field production meter. The
11 daily amount of gas credited to the wells on this
12 system would be the total of the production through
13 the test meter and through the field meter.

14 Rasmussen has pumpers in the field every
15 day who will take the readings from these meters.
16 They will be looking, if there's a disparity between
17 production, regular production and today's production,
18 they'll go see if perhaps a well is down. So we'll
19 have both daily gauge reports and any well which may
20 be shut down.

21 Q. Do you have anything further from Exhibit
22 No. 10?

23 A. The production is going to be allocated
24 back to each one of the wells based upon the data
25 derived from the periodic testing through the test

1 meter. This is going to be done by computer feeding
2 in the information brought in each day by the pumpers.

3 Q. In your opinion, will the proposed method
4 of metering assure accurate allocation of production
5 to each well on each proration unit?

6 A. Yes, it will.

7 Q. What type of meters does Rasmussen propose
8 to use?

9 A. The meters are shown on Exhibits 11 and
10 12. Basically, what we are talking about there is a
11 standard 3-inch or 4-inch meter run with Barton tier
12 recorder. These meters will meet appropriate AGA
13 temperature specifications and will be temperature
14 compensated. While you're looking at Exhibit 11 and
15 12, you can see on the second page of each that the
16 price of the meters is shown there from these two
17 suppliers.

18 Q. What economic benefits will be derived from
19 the proposed metering plan?

20 A. We think, for example, about our five well
21 illustration here, instead of having to buy five
22 meters, Rasmussen Operating will only have to buy two
23 meters. So the minimum costs that are here are
24 \$2,370; so you can see that in this case the savings
25 will be something between \$6,000 and \$7,000 for this

1 installation.

2 Q. I'd like to direct your attention now to
3 the surface commingling portion of this case.
4 Initially, could you identify the pools for which
5 Rasmussen seeks authority to surface commingle?

6 A. Yes. Referring back to Exhibit 1, when one
7 looks to the area up in the north, if you go to the
8 east side of the exhibit, in that Section 11 you have
9 Arrowhead production, Eunice South production, and
10 Jalmat oil and Jalmat gas production. The sections to
11 the west are only south units, Jalmat oil, and Jalmat
12 gas.

13 To the south we're looking at
14 Langlie-Mattix Oil, Jalmat oil, and Jalmat gas.

15 Q. And the location of the batteries to be
16 utilized are identified on Exhibit 1, and 4 through 6?

17 A. That's correct. When I speak of Jalmat gas
18 -- let's take a quick look back at Exhibit 10 because
19 I think we can see more clearly there than anywhere
20 else what we're talking about.

21 In this instance, all of the gas wells will
22 be flowing through the gas well header and will not be
23 going into the oil system. But the liquids, the
24 produced water and hydrocarbons which may come from
25 these Jalmat gas wells, will be going through the oil

1 header into the tank battery.

2 Q. Mr. Stamets, you've indicated that the
3 ownership is common for all of this production; is
4 that correct?

5 A. That is correct.

6 Q. Have you reviewed this proposal with the
7 State Land Office?

8 A. Yes, we have approached them with this
9 proposal. Rasmussen Operating intends to work with
10 the land office to supply them all the information
11 they need to get approval of the land office for this
12 proposal.

13 Q. Are the liquid hydrocarbons which Rasmussen
14 proposes to commingle compatible?

15 A. Yes, I believe they are. I've reviewed the
16 commingling section of the Division's monthly
17 statistical report, and I have found numerous
18 instances where these same pools are commingled. I
19 found some orders showing that these horizons have
20 been authorized to be commingled.

21 I have not made an exhibit of that. I have
22 that data, and I would be happy to share it with the
23 examiner, if he chose.

24 MR. CARR: Mr. Examiner, would you like a
25 list of those orders which approve commingling of

1 these pools in the area?

2 HEARING EXAMINER: How many are we talking
3 about?

4 Q. (BY MR. CARR) How many are we talking
5 about?

6 A. I think they're something on the order of
7 three or four orders and three pages out of the
8 commingling section of the monthly staff.

9 HEARING EXAMINER: If we're talking three
10 or four orders, then no problem. We would ask that
11 you submit that exhibit to this hearing.

12 MR. CARR: And we'll also submit copies to
13 Miss Reuter at that time.

14 Q. Mr. Stamets, will the value of the
15 commingled production be equal to some of the values
16 of the production from each of the individual zones?

17 A. Yes, at least, and there's a good
18 possibility that it will be somewhat improved. The
19 Jalmat gravities are a little bit lower, and the
20 volumes are a little bit less. We expect to see
21 perhaps that the higher gravity oil from the other
22 horizons will pull the Jalmat up. The producer may
23 actually get a few more dollars or a few more cents
24 out of this production.

25 Q. Mr. Stamets, would you identify what has

1 been identified as Rasmussen or Applicant's Exhibit
2 13.

3 A. Yes. Exhibit 13 is a set, 22 pages long,
4 which gives some detail on each one of the batteries.
5 The batteries are identified in the lower right-hand
6 portion of each page of the exhibit. The account
7 number and battery number corresponds exactly to those
8 shown on Exhibit 1 and to the individual plats.

9 If we look at the first page of this, what
10 we are seeing here is the actual layout of this
11 battery. In the upper left-hand corner of the exhibit
12 are the wells which flow to this battery. And they're
13 identified -- the word "field" perhaps should be
14 "pool" because that's what we're really looking at.

15 The initials "ES" stand for Eunice South.
16 "J" stands for Jalmat. And then you can see to the
17 right of that whether it's a Jalmat oil well or Jalmat
18 gas. "LM," I believe, is Langlie-Mattix on later
19 exhibits, and "AH" is Arrowhead on some later
20 exhibits.

21 The type of well then is shown in the next
22 column, and the current status producing temporarily
23 then is shown in the final column.

24 This same procedure is repeated throughout
25 the exhibit.

1 Q. Mr. Stamets, would you summarize the
2 economic benefits that will result from the Rasmussen
3 proposal?

4 A. With the reorientation of the nonstandard
5 units, we expect that the Rasmussen wells will be
6 allowed to produce and not have to be shut in and not
7 suffer the loss in production, even though it may be
8 temporary -- the loss in production that results from
9 the wells being shut in and having to pump the fluid
10 off of there.

11 We expect the savings from the lack of
12 having to set as many meters in this area.
13 Ultimately, we'll expect some savings from the
14 commingling. As these Jalmat wells are brought on and
15 not having to set a separate tank battery for
16 relatively small volumes of production, there will be
17 a savings of several thousand dollars for each battery
18 that does not have to have been set.

19 Q. In your opinion, will approval of these
20 consolidated applications result in increased recovery
21 of hydrocarbons from each of the proration units
22 subject to these applications, thereby preventing
23 waste?

24 A. I believe so. I think the economic savings
25 translates into a longer economic life for each one of

1 the wells, and the longer the economic life, the more
2 the ultimate recovery, and the greater the prevention
3 of waste.

4 Q. Will granting the application impair the
5 correlative rights of any other interest in the area?

6 A. No, I don't believe so. In fact, their
7 correlative rights may be somewhat enhanced, assuming
8 that the increased production from these Jalmat wells
9 may serve to bring up the allowables in the Jalmat
10 Pool, and each of the owners in the Jalmat Pools with
11 nonmarginal wells will have an opportunity to share in
12 those higher allowables.

13 Q. Will granting the application afford
14 Rasmussen an opportunity to produce its just and fair
15 reserves out of the pools that are the subject of
16 these applications?

17 A. Yes.

18 Q. Will approval of the application be in the
19 best interest of the conservation, the prevention of
20 waste, and the protection of correlative rights?

21 A. Yes.

22 Q. Would you identify what has been marked as
23 Applicant's Exhibit 14.

24 A. Exhibit 14 is the affidavit now required by
25 the Division relative to notice given in this case.

1 Q. What is the status of Rasmussen's current
2 plans for development of this area?

3 A. As I said at the beginning, from the
4 beginning, they've evaluated it. They've begun work.
5 Pipe is actually going in the ground today for the
6 gathering system. The workovers continue. I would
7 say it's an active area.

8 Q. Were Exhibits 1 through 14 either prepared
9 by you or prepared under your direction and
10 supervision?

11 A. They were.

12 Q. Can you testify as to their accuracy?

13 A. I believe they are accurate.

14 MR. CARR: At this time, Mr. Stogner, I
15 move the admission of Rasmussen Exhibits 1 through 14.

16 HEARING EXAMINER: Are there any
17 objections?

18 MS. REUTER: No objections.

19 HEARING EXAMINER: Exhibits 1 through 14
20 will be admitted into evidence at this time.

21 Q. (BY MR. CARR) Mr. Stamets, do you have
22 anything further to add to your presentation?

23 A. I have a listing here that the examiner
24 might like of all the previous orders which I was able
25 to find which apply to these same leases, and I'd be

1 happy to share that with him or anybody else who would
2 like a copy.

3 MR. CARR: Mr. Stogner, it might be wise to
4 mark this as an exhibit since it's a typed list with a
5 large number of orders.

6 HEARING EXAMINER: I concur, and I would
7 like you to list that as an exhibit.

8 MR. CARR: This will be listed as
9 Applicant's Exhibit No. 15.

10 HEARING EXAMINER: Do you have several
11 copies?

12 MR. CARR: Yes, I do. I'll show them to
13 Ms. Reuter now.

14 MS. REUTER: Thank you.

15 MR. CARR: I would move the admission of
16 Rasmussen Exhibit No. 15.

17 HEARING EXAMINER: Are there any
18 objections?

19 MS. REUTER: No objections.

20 HEARING EXAMINER: Exhibit No. 15 will be
21 admitted into evidence.

22 MR. CARR: That concludes my direct
23 examination of Mr. Stamets.

24 HEARING EXAMINER: Thank you, Mr. Carr.
25 Miss Reuter, your witness.

1 MS. REUTER: Mr. Examiner, do you want me
2 to renew my Motion for Continuance now or after I
3 examine Mr. Stamets?

4 HEARING EXAMINER: I think it would be wise
5 to make it after you cross-examine Mr. Stamets.

6 MS. REUTER: In that case, can I have two
7 minutes to speak with Mr. Nutter?

8 HEARING EXAMINER: You may.

9 (Thereupon, a discussion was held
10 off the record.)

11 HEARING EXAMINER: Hearing will come to
12 order. Where were we?

13 MS. REUTER: I was about to begin my
14 cross-examination of Mr. Stamets.

15 HEARING EXAMINER: Please do.

16 MS. REUTER: Thank you, Mr. Examiner.

17 CROSS-EXAMINATION

18 BY MS. REUTER:

19 Q. Mr. Stamets, did you state earlier that the
20 gathering system was already being built by Rasmussen
21 before this application was filed?

22 A. That's correct.

23 Q. Have any well tests been performed on any
24 of the wells for which you're seeking unorthodox
25 locations to show their product?

1 A. Well tests, as far as I'm aware, there have
2 been no tests other than just simply the measurement
3 of their production after they've gone on line.

4 Q. So you have not conducted any kind of an
5 examination of the productivity of the wells for which
6 these unorthodox locations are being sought?

7 A. I've looked at the available production
8 reports on them to assure myself that wells with large
9 volumes weren't being requested to be commingled.

10 Q. What is your definition of "large volumes"
11 when you make that statement?

12 A. Anything approaching a top allowable, and
13 these are mostly way, way below that, very marginal
14 wells.

15 Q. How far below?

16 A. Oh, just a few barrels a day, 1, 10,
17 something like that. I'd have to look at the
18 production reports again to verify that, but I was not
19 the least bit concerned with the size of the
20 production.

21 Q. Are you talking about oil or gas wells?

22 A. I was talking about the liquids production
23 from all of the wells, whether they were oil or gas.

24 Q. What about the gas wells' productivity,
25 have you conducted any examination of the gas

1 production on these wells?

2 A. No. Just to confirm that there were gas
3 wells and that the gas liquid ratios were such that,
4 indeed, they were gas wells and shouldn't be
5 classified as oil.

6 Q. Do you have any understanding of when the
7 TA gas wells were disconnected?

8 A. No, I have not looked at all those
9 individual files to see how long they have been shut
10 in or disconnected, and I couldn't tell you.

11 Q. Are any of them still connected, do you
12 know?

13 A. I could only say that the wells that are
14 producing are obviously connected at this point.

15 Q. But you don't know whether those were the
16 TA wells or not?

17 A. No. And since some of the wells were
18 without meter runs, obviously, some of them were
19 disconnected, but I couldn't give you any specific
20 numbers or indication of which wells.

21 Q. Which were those wells without meter runs?

22 A. Presumably, the pipeline took the meter run
23 home with them.

24 Q. Have you done any examination of whether
25 drainage will occur or whether there will be any other

1 effects on offsetting units by virtue of that
2 application?

3 A. I haven't felt that was necessary since
4 none of the proration units will receive any more than
5 their share of the allowable for the pool in
6 accordance with the proration formula set out by the
7 Oil Conservation Division.

8 Q. Is the redesignation of these units
9 intended to put the acreage where the production is?
10 Am I correct in understanding that's --

11 A. That's the idea, yes.

12 Q. Is there any other purpose in redesignating
13 these units?

14 A. Not to my knowledge, no.

15 Q. Before you identified the three units that
16 are not going to be changed in Exhibit No. 7 in your
17 application, am I correct that that leaves 15 units
18 that are going to be changed?

19 A. Let's see. What do you have there, 18
20 total? And one of those is unchanged; so that reduces
21 it to 17. Three from 17, that would be 14.

22 Q. Which is the other one other than the three
23 that are not being changed?

24 A. The one would be unit No. 5 in 11 22 36.

25 Q. Do you have any knowledge of any precedent

1 for a multiple redesignation such as this on this
2 scale of 15 units in one application?

3 A. I don't know about this scale. The record
4 is full of multiple redesignations. In looking
5 through this list of orders that we've given you, many
6 of those are redesignating the same units.

7 As I recall, I'd oftentimes see three or
8 four of the units at one time being reoriented.

9 Q. Do you know if there's any precedent though
10 for 15 of them being redesignated at one time?

11 A. I don't know if there's any precedent for
12 15 or 8 or 200.

13 Q. Can you say, in your experience, has the
14 practice of approving multiple proration units
15 maintained consistency over time, or is that an old
16 practice that may have stopped at some earlier date?

17 A. Well, it was certainly still going on a
18 couple of years ago, two-and-a-half years ago, when I
19 was here. In my contacts with members of the staff,
20 in the data that I have received from the agency, I
21 don't recall seeing any memoranda which would indicate
22 that this is a practice which is frowned upon at this
23 time.

24 Q. Can you tell me when Williams Partnership
25 acquired ownership in this case?

1 A. No, I can't tell you when that happened. I
2 believe some of the properties are probably fairly
3 recent.

4 Q. Do you know how long Rasmussen Operating
5 has been contemplating this redesignation and common
6 metering application?

7 A. They first contacted me probably two months
8 ago.

9 Q. Do you know if he's contemplating any other
10 similar types of applications?

11 A. I am unaware of it if he is. This pretty
12 well takes care of this set of leases.

13 Q. Do you know how long Mr. Rasmussen has been
14 working on this case, even though he first only
15 contacted you two months ago?

16 A. I have not questioned him on that.

17 Q. If you would turn to Exhibit 10, when you
18 were testifying as to this exhibit --

19 A. Let me see if I can find Exhibit 10. I
20 must have shuffled mine in.

21 MR. CARR: Here's 10.

22 THE WITNESS: Thank you, Mr. Carr. Okay.

23 Q. (BY MS. REUTER) I believe you testified
24 that the gas wells would flow through a separate
25 production meter?

1 A. The gas well gas, yes, that's correct.

2 Q. And if you would look at Exhibit 13 --

3 A. Exhibit 13, okay.

4 Q. We have some confusion looking at these
5 exhibits, and what I'd like to ask you to do is go
6 through each of these and explain to me which meter
7 the gas well gas is going through, which meter the oil
8 well gas is going through, and which headers apply to
9 the gas wells because it doesn't seem like they're
10 indicated --

11 A. Excuse me. It's easier to do this if we
12 back up and take another look at 10. If we look in
13 what will be to you the lower left-hand corner of the
14 exhibit, we see what is the gas well portion of the
15 application that we have here today.

16 And there will be one of these headers at
17 every proration unit. The remainder of the exhibit is
18 what we're looking at then when we're looking at
19 Exhibit 13, pages 1 through 22; so that you do not see
20 the gas well header, the gas meters, or the gas sales
21 point on these exhibits.

22 Q. Can you explain to me then, if you look at
23 Battery No. 8, you have three gas well leases?

24 A. I'm sorry. Which --

25 Q. Battery No. 8?

1 A. Which account?

2 Q. Account 2.

3 A. All right. And your question is again?

4 Q. You have three gas wells listed in the
5 lower left-hand corner?

6 A. That is correct.

7 Q. And you have an eight well header shown up
8 above. Does that mean that only those oil wells and
9 not the three gas wells listed in the lower right-hand
10 corner feed through that header?

11 A. Well, it's the intention that the header at
12 each of these facilities be sufficient to handle the
13 liquids which are flowing in.

14 I see a large number of TA wells there.
15 I'm not certain if that's the reason for the
16 discrepancy between the eight well header and a
17 listing of more than eight wells. But let me assure
18 you, when these things are completed and all the wells
19 are flowing, there will be a header that will
20 accommodate each of the wells that is producing into
21 that tank battery.

22 Q. But those headers won't service gas well
23 gas or the gas wells that are listed on the exhibits?

24 A. That is correct. That facility will be
25 located on the proration unit, which may or may not be

1 at this tank battery, and it may be at the tank
2 battery, but it's not shown anywhere on Exhibit 13.

3 Q. If you could look at battery No. 1, State
4 A, Account 1, I believe it comes after battery A, I
5 have similar difficulty here. You have four gas wells
6 listed, one oil well listed, and a five-well header.
7 Are the gas wells feeding into that five-well header?

8 A. In what respect?

9 Q. I'm not sure which five wells are going to
10 be accommodated by that header.

11 A. Okay. Let me try and make this clear.
12 Apparently, I did not do that on the first time around
13 with the discussion of Exhibit 10.

14 We show four gas wells here, each one of
15 them Jalmat. The liquids production from those wells
16 are what will be flowing into the 500-barrel storage
17 tank or into this facility. Of course, the water that
18 will be produced won't go into the storage tank, but
19 the condensate and the oil from the one Jalmat oil
20 well all go into the 500-barrel tank.

21 The gas from these four wells will be
22 through test field and sales meters at a location
23 which may be at this battery, it may be somewhere
24 else, but it's totally separate from the facility you
25 see here.

1 Q. If you would look at battery No. 3, State
2 A, Account 1, and I believe that is --

3 A. State A-1, Battery 3?

4 Q. Yes. It's two pages after battery 1.
5 State A, Account 1, Battery No. 3.

6 A. Let me back up here. Okay.

7 Q. On the lower left-hand portion of that
8 exhibit, you see a meter run. Is that not a gas meter
9 run?

10 A. It is.

11 Q. Could you explain to me why that appears on
12 this exhibit?

13 A. For the sale of casinghead gas.

14 Q. In other words, there won't be any gas well
15 gas running through there, just casinghead gas?

16 A. That's correct. The dry gas goes through
17 separate metering.

18 Q. Will each well have a separator on it?

19 A. Will each well have a separator?

20 Q. Yes.

21 A. The separators will be located at the
22 facilities that we see here on Exhibit 13.

23 Q. What about gas separators?

24 A. Gas separators.

25 Q. Will there be one on each well?

1 A. No, there will not be a separator on each
2 well.

3 Q. Could you tell me where on Exhibit 10 the
4 separators would appear, and approximately how many
5 separators there would be?

6 A. On Exhibit 10, there is no separator, but
7 if it would make Mr. Nutter happy, I'm certain that
8 one could be drawn in. This is just for illustration
9 purposes, and it's not a real facility.

10 Q. Where would you draw it in if you were
11 going to draw it in to make Mr. Nutter happy?

12 A. If I was going to make Mr. Nutter happy, I
13 would draw this in somewhere between the production
14 and the 500-barrel storage tank and before the gas
15 sales line. You see the gas sales line coming off the
16 heater treater there; so I would say the meter would
17 be downstream of that.

18 Q. What about on the gas wells? I believe Mr.
19 Nutter is wondering about on the gas well diagram
20 where there would be separators if you install them?

21 A. There won't be any at the individual
22 wells. The liquids from that well are going to be
23 coming in through the oil header -- quote, oil header
24 -- and be separated as to water and condensate, and
25 the condensate will be stored, and the water will be

1 disposed of.

2 Q. We're at a loss as to where it's separated
3 and how it's separated; so maybe if you could explain
4 that first.

5 A. I presume your question is how are the
6 liquids in the gas well separated from the gas in the
7 gas wells?

8 Q. Yes.

9 A. They're separated at the well by pumping
10 the liquids off through tubing down to the oil
11 production unit, the commingled battery, and the gas
12 goes to the header from the well.

13 MR. NUTTER: That gas has never been
14 separated then?

15 MR. CARR: I would object to a question
16 from Mr. Nutter. If Mr. Nutter wants to participate
17 in the case, he should do so through his attorney.

18 Q. (BY MS. REUTER) Other than the liquids
19 being pumped off at the well, the liquids are not
20 otherwise separated from that gas?

21 A. That's correct.

22 Q. Would that mean that wet liquids are going
23 through the meters?

24 THE WITNESS: We're going to have to have a
25 conference, Mr. Carr.

1 MR. CARR: Could we go off the record for a
2 minute?

3 HEARING EXAMINER: Let's take a five-minute
4 recess.

5 (Thereupon, a recess was taken.)

6 HEARING EXAMINER: This hearing will come
7 to order. Miss Reuter?

8 THE WITNESS: If I could go ahead and
9 finish answering Miss Reuter's question, I wanted to
10 make certain that there was not something on the
11 gathering lines which I was not aware of, and there is
12 not. The wells are producing as I said they were, and
13 they don't have any separation equipment on them.

14 Q. (BY MS. REUTER) So there's no separation
15 of liquids from the gas after the liquids are pumped
16 off the gas wells? Is that an accurate statement?

17 A. Separation is at the well, and there's no
18 separation beyond that.

19 Q. When you say there is separation at the
20 well, the only thing that you are referring to is the
21 pumping off of the liquids first?

22 A. That's correct.

23 Q. And there is no separation beyond the well?

24 A. That's correct. You do have separation of
25 the liquids at the tank battery, the water and the

1 liquids at that point. If you're talking about
2 separation of the gas from any more water or
3 separation of the gas from any more liquids, no.

4 Q. Is that conducive to accurate gas metering,
5 in your opinion?

6 A. Apparently, it's been accurate enough for
7 El Paso for many, many years. As I understand it,
8 that's been standard procedure out there.

9 Q. In your opinion, is that accurate gas
10 metering?

11 A. I don't have anything at this point which
12 would lead me to believe that there is any inaccuracy
13 in that measurement at this point.

14 Q. Have you ever examined any information or
15 studied whether that is accurate metering?

16 A. I know that metering when you've got a lot
17 of liquids is not too accurate. However, I've also
18 seen orifices that have weep holes in them. So I also
19 know that people do meter wet gas.

20 MS. REUTER: I have nothing further.

21 HEARING EXAMINER: Mr. Carr, any redirect?

22 MR. CARR: No redirect, Mr. Stogner.

23 DIRECT EXAMINATION

24 BY HEARING EXAMINER:

25 Q. Mr. Stamets, I have verified in my head,

1 these questions we've had the last few times, we're
2 only referring to the Jalmat gas wells?

3 A. My understanding is we were only talking
4 about Jalmat gas wells, yes.

5 Q. All of the schematics on Exhibit No. 13, do
6 they also reappear on Exhibit No. 1 and 2 and/or?

7 A. Yes. But it's a stylized identification on
8 those. All you'll see is a rectangle with three big
9 tanks and three little tanks or maybe a couple small
10 tanks.

11 Q. But they are all there?

12 A. That's right. And Exhibit 13 is a
13 representation of what is at that tank battery at this
14 time and the wells which are or will go to that
15 battery.

16 Q. Because when I look at State A, Account 1,
17 Battery No. 2 --

18 A. Let me back up to that, please. Okay.

19 Q. That only shows Langlie-Mattix wells. Does
20 that particular battery show up on these maps?

21 A. Yes. It should be there. We can look for
22 it. But, as I said, each one of these should be on
23 Exhibit 1.

24 MR. STOVALL: May I interject something
25 else while we're along that? You also have -- and

1 I've forgotten the exhibit number; I think this is
2 Exhibit 4? It will also be on that; is that correct?

3 THE WITNESS: Right. 4, 5 and 6, which are
4 all the plats of the individual units.

5 MR. STOVALL: And what this plat shows and
6 Exhibits 1 and 2, is the location of the battery, the
7 schematic of which appears in Exhibit -- whatever this
8 is, Exhibit 14?

9 THE WITNESS: Exhibit 13. And the answer
10 to your question is yes.

11 DIRECT EXAMINATION

12 -Continued-

13 BY HEARING EXAMINER:

14 Q. On Exhibit No. 1, there are some holes
15 within -- what do you call the heavy dotted red line
16 that outlines Mr. Rasmussen's property -- is that
17 correct? And these holes I'm talking about are not
18 within proration units as shown in the colored slash
19 marks?

20 A. That's correct. If we look at what's been
21 identified as unit 8, and I think what you're
22 referring to as a whole would be the southeast quarter
23 of the northwest quarter of section 9 23 36?

24 Q. Yes.

25 A. That would be the location of the Jalmat

1 oil well, and that acreage could not be dedicated to a
2 Jalmat gas well.

3 Q. But that well would show up on one of the
4 schematics in Exhibit No. 13?

5 A. Yes. I would suspect that's going to be
6 Account 1, Battery 16.

7 Q. Let's dig that out and see.

8 A. And, of course, it could be Account 1,
9 Battery 5, too. Both of those are in the immediate
10 vicinity.

11 Q. That well that you referred to in the hole
12 --

13 A. No. 115, would be Account 1, No. 115.

14 MR. STOVALL: Battery 5, it appears.

15 THE WITNESS: Battery 5? That makes
16 sense. That's just to the east of the well.

17 Q. (BY HEARING EXAMINER) And what's that well
18 number?

19 A. 115.

20 Q. That does show up on Battery No. 5. So all
21 the wells within the red area would show up on these
22 exhibits?

23 A. The intent is that Exhibit 13 is a
24 representation of every existing well, whether that
25 well is producing, temporarily abandoned, shut in.

1 They're all supposed to be there.

2 Q. Let's take a look at Account 1, Battery 5
3 schematic.

4 A. Okay.

5 Q. And, for instance, No. 115 has some
6 casinghead gas?

7 A. Yes.

8 Q. How would its amount, periodic test on the
9 well header be determined?

10 A. The same way with any well flowing into an
11 oil tank battery, just periodic well tests.

12 MR. STOVALL: You're referring to a GOR
13 test, Mr. Stamets?

14 THE WITNESS: That's, in essence, what it
15 would have to be. That's the only way of determining
16 how much gas would be produced per barrel of liquid,
17 and use that then to allocate back and come up with a
18 formula of allocation to the individual wells.

19 Q. (BY HEARING EXAMINER) Mr. Stamets, have
20 you talked to Mr. Jerry Sexton down in our Hobbs
21 district office about this proposal, or has Mr.
22 Rasmussen, to your knowledge, spoken to Mr. Jerry
23 Sexton?

24 A. I've spoken to the Hobbs office a couple of
25 times. Oh, probably two months or six weeks ago, I

1 talked to Evelyn downstairs about this application.

2 And then during the recently concluded Oil
3 and Gas Association, I spoke with Mr. Sexton about it
4 to determine if he had any reservations about any part
5 of the application, and he told me that there were
6 none.

7 HEARING EXAMINER: I have no further
8 questions of this witness.

9 Are there any questions from the audience?
10 If so, would you please stand and identify yourself
11 and your affiliation?

12 MS. HOWARD: I'm Susanne Howard with the
13 State Land Office, Oil and Gas Division. My question
14 is, are the GOR's going to be measured once and then
15 that number used, or are they going to be updated as
16 the wells produce?

17 THE WITNESS: Some of these wells will be
18 brought back on production, obviously, the temporarily
19 abandoned wells, and they will be tested at that
20 time.

21 MS. HOWARD: Are the GOR's tested once or
22 are they going to be continuously testing GOR's?

23 THE WITNESS: Since we're taking questions
24 from the audience, perhaps we should take an answer
25 from the audience.

1 MR. STOVALL: Mr. Stamets, I think we can
2 concur or have him sworn.

3 MR. CARR: If it's all right, with your
4 permission, if Mr. Stamets could have a brief recess
5 to confer with a representative from Rasmussen, we can
6 provide that information. If not, we would have to
7 provide that to the Land Office following the
8 hearing. Either one would be fine with us.

9 HEARING EXAMINER: Let's recess.

10 MR. CARR: This recess needs to be about 30
11 seconds.

12 (Thereupon, a recess was taken.)

13 HEARING EXAMINER: Should we go back on the
14 record now?

15 THE WITNESS: The answer to the question is
16 that at this time, the GOR's will be taken on an
17 annual basis, and even if testing were not required on
18 an annual basis, that would be the intent.

19 HEARING EXAMINER: Are there any other
20 questions of this witness? If not, he may be
21 excused.

22 Miss Reuter?

23 MS. REUTER: Mr. Examiner, I gather that
24 it's time for me to renew my Motion to Continue, and I
25 will renew my Motion to Continue.

1 I think at the close of the Applicant's
2 case, it's clear that this application is very
3 complex. Mr. Rasmussen has had months to prepare.
4 We've had three or four days. We have a great many
5 unanswered questions. There has not been any
6 examination of the effects on offsetting interest
7 owners on the prorating rearrangement.

8 I would add that the application was at
9 least a little bit misleading to us. I should say
10 more than a little bit misleading to us. In case
11 9775, if you look at Exhibit 7, which showed the
12 proposed nonstandard Jalmat gas proration units, at
13 the bottom of Exhibit 7, it says, "Applicant seeks
14 only special metering authority for Section 11 wells,"
15 and when we looked at that, we thought that meant
16 special metering authority was only being requested
17 for that one unit in Section 11, despite the fact that
18 the notice said otherwise, and also because the
19 application of 9774 also dealt with the application
20 for special metering authority.

21 We think this application -- the three
22 applications and the three cases have far-reaching
23 effects on application of the allowables in New
24 Mexico, particularly with special unit metering
25 provisions in such a broad area in 18 sections. We're

1 not accusing Mr. Rasmussen or anyone else of unfair
2 dealing or improper practices, but this broad of an
3 application can set a longstanding precedent that
4 leaves open potential for abuse.

5 We feel that a continuance is really
6 necessary for us to be able to examine the
7 applications a little bit better for a more technical
8 approach to this, and perhaps -- not perhaps but
9 definitely do some discovery in this case. As you can
10 see, we have many questions still unanswered about the
11 proposal. Thank you.

12 MR. CARR: Before you rule on the request
13 for continuance, there are two things that have not
14 been stated by Mr. Hartman and his counsel. The
15 obvious one is for how long.

16 The second one is what does Mr. Hartman
17 own. That's a fundamental question, and early in the
18 proceeding Miss Reuter indicated that Mr. Nutter could
19 come and identify that for us.

20 My first request would be Mr. Nutter be
21 permitted to testify and respond to that question and
22 then at that time address the request for
23 continuance.

24 On the chance that you're going to rule on
25 it now, I do have several other things I think need to

1 be said in response to a request for continuance.

2 Mr. Hartman is an operator in the Jalmat
3 Pool and has become a party of record, and he has a
4 right to go de novo. If additional time is needed to
5 prepare, then they must certainly have that time, and
6 they have a right to have this entire matter heard
7 anew before the full Commission.

8 I submit to you that what would result from
9 a continuance is nothing that would move this matter
10 one step closer to final resolution. It would only
11 result in unnecessary delay.

12 The other thing that still hangs out there
13 is a question of standing. Mr. Hartman is an operator
14 in the pool and has an interest that will be affected
15 because increased production may increase the
16 allowables in the pool, and that does affect him. But
17 as to a nonstandard unit, an unorthodox well location,
18 the one question out there is what standard does he
19 have to object if he doesn't offset. And that
20 question remains unanswered, and until that's
21 answered, I doubt they have standing to ask for the
22 continuance.

23 We have presented a full case. There may
24 be unanswered questions, but it's not because answers
25 have not been given. It's because questions have not

1 been asked by Mr. Hartman.

2 And they state they need additional time.
3 That's certainly available to them from the time that
4 runs from when this case is taken under advisement
5 until they need it, and, if after further study, a de
6 novo hearing is deemed necessary.

7 They say there's confusion. I submit to
8 you the confusion is cited to you not because there's
9 confusion, but because they're looking for a reason
10 for continuance. If you look at the application
11 itself, and certainly you must read an application of
12 the text and not just an exhibit, it says, "Applicant
13 Rasmussen seeks approval for special metering
14 provisions for Jalmat gas production from the wells on
15 the proration units identified on Exhibit A hereto to
16 permit it to meter the total production from each
17 proration unit and allocate this production to the
18 wells located thereon based upon periodic metering of
19 production," and it goes on.

20 I don't think there's confusion as to what
21 we're seeking. I think there is concern that because
22 Mr. Hartman isn't an operator, he would like to have a
23 lot more time to engage in discovery, if any is
24 permissible under the rules of the Division, and
25 they're looking for something they can cite as

1 confusion.

2 We submit we have made a full
3 presentation. We're entitled to an order. Notice has
4 been given that is proper and complete. That is a
5 matter of record. Time is available if they need it.
6 And that all they're seeking is unnecessary delay, and
7 we very vigorously resist the continuance.

8 If a continuance is granted, we think the
9 only thing that is a going result from it is, it is
10 going to take longer for Mr. Rasmussen to improve the
11 producing capabilities of these properties, and the
12 continuance itself is tantamount to waste.

13 MS. REUTER: May I reply?

14 HEARING EXAMINER: Yes.

15 MS. REUTER: I'll be brief. I'd like to
16 point out, the testimony showed a new gathering system
17 is already being built in that area. And to allow it
18 to go forward while we wait for a hearing de novo is
19 probably just as tantamount to waste as any
20 continuance in this case would ever be.

21 I would also add, Mr. Carr has basically
22 conceded that Mr. Hartman has standing as an operator
23 in the Jalmat Pool. And because of the rededication
24 of acreage that's proposed here, it does affect the
25 allocation of the allowables in the pool in that this

1 is a manner in which an operator can avoid having a
2 cap put on his well by the allowable system, and it
3 has ramifications for the operation of the allowable
4 system as a whole.

5 I would not ask for more than a 30-day
6 extension of time to continue this hearing before the
7 hearing examiner.

8 I've always been of the impression, as an
9 administrative practice, that's the whole point of
10 having a hearing examiner: so you could have the
11 issues completely fleshed out and resolved at the
12 hearing examiner level to save time of a de novo
13 hearing. And I can't say what would happen if we
14 necessarily had more time to examine this application,
15 but it's entirely possible that a de novo hearing
16 would not be held.

17 HEARING EXAMINER: Mr. Carr?

18 MR. CARR: One response. I have not in any
19 way conceded that Mr. Hartman has standing. I have
20 conceded that he is a party of record, and those are
21 different things.

22 If there is waste by putting in a gathering
23 line, it isn't the waste of oil. It's the waste of
24 Mr. Rasmussen's money, and that's outside your
25 jurisdiction. If there are benefits that come from an

1 increased allowable, he will share. But there's
2 nothing to suggest that anything that would happen
3 would do anything to curtail allowables or the
4 opportunity that any other operator has to produce his
5 share.

6 If 30 days is what's needed to prepare, it
7 will be at least that long before the matter could be
8 heard before the Commission.

9 We request the continuance be denied, the
10 case taken under advisement, a hearing be ordered, and
11 prior to the next hearing, Mr. Hartman be directed to
12 tell us what he owns.

13 MR. STOVALL: Mr. Carr, let me ask you, are
14 you stating that you do not believe that Mr. Hartman
15 is an operator in the pool?

16 MR. CARR: No, I think he's an operator in
17 the pool, but I think before you can object to an
18 unorthodox location, if you have a section in 12 of 23
19 south 37 east, you really don't have standing to
20 object to an unorthodox location in 8 of 22 36, and we
21 don't know that.

22 That's not standing for those questions,
23 Mr. Stovall. He has standing as it affects an
24 allowable as an operator, but he would be only a party
25 of record when it comes to locations and proration

1 units. That's what I'm saying. Those are different
2 concepts.

3 MS. REUTER: If I could just interject one
4 last thing, because of the late notice in this
5 application that we received -- and I'm not saying
6 that it's Mr. Carr's or his client's fault -- we have
7 not had time to ascertain and prepare evidence on
8 exactly which offsetting units Mr. Hartman has working
9 interests on. And I would say that's an additional
10 reason to grant our request for a continuance. Rather
11 than go on, I think it appropriate to let us know.

12 HEARING EXAMINER: Mr. Carr, I believe you
13 were going to say something?

14 MR. CARR: The only thing I would ask is
15 that if you decide to continue the case, we at least
16 be afforded an opportunity to hear from Ms. Reuter's
17 witness. She's already, on the record, stated that
18 Mr. Nutter could advise us as to the ownership.

19 MS. REUTER: What I had just stated, that
20 was the impression I was under, and we are not
21 prepared to do that, after having discussed it with
22 Mr. Nutter. He may address other issues of standing,
23 but I misspoke. He is not prepared. He does not have
24 knowledge of what Mr. Hartman's interests are.

25 MR. CARR: We are being opposed for three

1 or four days' notice, and that's so you can find out
2 what you own so you know how your interest is going to
3 be affected, and I think a continuance is no more than
4 a request to authorize waste because it delays the
5 authorization of the property.

6 HEARING EXAMINER: We're going to take
7 another recess.

8 (Thereupon, a recess was taken.)

9 HEARING EXAMINER: Let's go back on the
10 record. The evidence presented showed that the
11 mailing notice was adequate, and that Mr. Hartman was
12 not a party to this. We have 21 days of published
13 notice, which has been shown to be adequate, and you
14 did not have three or four days' notice. You did have
15 21. Notice was therefore adequate.

16 So I'm going to overrule your motion at
17 this time, Miss Reuter, and if you would like to put
18 Mr. Nutter on the stand at this time, you may.

19 MS. REUTER: I would like to call Mr.
20 Nutter to the stand at this time.

21 DAN NUTTER,
22 the witness herein, after having been first duly sworn
23 upon his oath, was examined and testified as follows:

24 DIRECT EXAMINATION

25 BY MS. REUTER:

1 Q. Could you please state your name for the
2 record.

3 A. My name is Dan Nutter.

4 Q. What is your occupation, Mr. Nutter?

5 A. I'm a consulting engineer.

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

8 A. I'm retained in this case by Mr. Doyle
9 Hartman.

10 Q. Have you testified before the OCD before in
11 your capacity as a petroleum engineer?

12 A. Yes, I have.

13 Q. Have you been qualified as an expert
14 witness before the OCD as a petroleum engineer?

15 A. I have.

16 Q. Are you familiar with the application of
17 Hal J. Rasmussen in these three consolidated cases?

18 A. I am, to a certain extent.

19 Q. When you say "to a certain extent," what do
20 you mean?

21 A. Well, I was confused by the application.

22 Q. Have you read the materials that have been
23 filed?

24 A. Yes, I have.

25 Q. You've been present through the testimony

1 of Mr. Stamets, Rasmussen Operating's witness?

2 A. Yes, I have.

3 Q. Have you an opinion on whether Rasmussen's
4 application is in the best interest of conservation,
5 prevention of waste, and the protection of correlative
6 rights?

7 A. I don't believe that they are, in the long
8 run.

9 MS. REUTER: Mr. Examiner, I tender the
10 testimony of Mr. Nutter as expert testimony.

11 HEARING EXAMINER: Are there any
12 objections?

13 MR. CARR: We have no objection to the
14 testimony. We want to cross-examine him.

15 HEARING EXAMINER: Mr. Nutter is so
16 qualified to testify.

17 Q. (BY MS. REUTER) Mr. Nutter, can you tell
18 me what Mr. Hartman's interests in these applications
19 are?

20 A. Mr. Hartman is an interest owner in the
21 Jalmat Gas Pool and also in some of the oil pools that
22 have been mentioned in this hearing today. And he
23 feels that the overall effect of the application could
24 very well lead to detrimental effects on other
25 operators in the pool, not so much the redesignation

1 of acreage. That is a common thing and is recognized
2 by the operators in the Jalmat Gas Pool as being
3 effective and a good way in which to put the acreage
4 dedication where the production is. There's nothing
5 wrong with that.

6 However, what he objects to in principle on
7 that is the omnibus filing of an application for
8 proration units covering some 19 sections, I believe,
9 here, all in one fell swoop, and without having the
10 opportunity to really go into these units and see what
11 the effect of the redesignation of acreage is.

12 We don't know the productivity of these
13 wells at nonstandard locations. We don't know how
14 long it's been if we were temporarily abandoned. We
15 don't know what the status of their productivity was
16 at the time of temporary abandonment.

17 Maybe they're still producing. We haven't
18 had time to analyze this because there just were too
19 many of them filed in one application and all placed
20 on one docket. Normally you see maybe one, two, or
21 three applications.

22 I point to page No. 4 of your docket today,
23 Mr. Examiner. Case 9759 at the top of the page is the
24 application of Nearburg for a nonstandard gas
25 proration unit with the unit described, the well

1 described, and the nonstandard location of the well
2 specified there.

3 This gives anybody that offsets Nearburg an
4 opportunity to make a study and see if they want to
5 oppose it or not. But when we get a docket that has
6 19 sections on it with an exhibit attached to it -- so
7 we had to come in and get a copy of the application to
8 find out just what was going on.

9 We got a copy of the application and found
10 a very misleading statement at the bottom of the
11 exhibit which is attached to the application, and I
12 myself must take a certain amount of the blame here.
13 Hartman was very upset when he saw the docket for the
14 proposal that these nonstandard and standard proration
15 units distributed through 19 sections would all be
16 allowed to commingle their production and allocate the
17 gas production to the gas units on the basis of well
18 tests. He was very upset.

19 I assured him, that is not what the
20 applicant is seeking in this case. I said, "If you'll
21 refer to Exhibit A at the bottom, there's an asterisk
22 there identifying the standard unit in Section 11,
23 saying that they seek only the special metering for
24 those wells in Section 11."

25 At that point, Hartman was much less

1 opposed to the proposal of the metering. He says,
2 "Now, that's a bad precedent just in itself because
3 there's five wells on that unit."

4 I said, "Well, it's only five, but maybe
5 it's not as bad as if they were asking for the same
6 thing on all 19 sections."

7 But I come to the hearing today, and I was
8 utterly shocked when I heard the initial testimony
9 here to indicate that the application was for all of
10 the proration units on the exhibit.

11 Q. Mr. Nutter, is Mr. Hartman, to your
12 knowledge, an operator of wells in the Jalmat Pool?

13 A. Yes, he is. He's got wells in the Jalmat
14 Pool at the present time. He's an old operator in the
15 pools, recently disposed of many of his wells, but
16 he's got a new drilling program underway.

17 If you refer to Applicant's Exhibit 1-A,
18 right over near Section 18 of 22 37, immediately east
19 of this area is his Christmas lease, A.L. Christmas
20 lease. We had a hearing just two weeks ago today for
21 the nonstandard unit and the nonstandard well location
22 there. So we're on the map as far as having standing
23 in the pool.

24 Furthermore, even if we didn't have any
25 well on this map, we've got standing in the pool

1 because there are other wells. And I think anything
2 that affects an allowable or reservoir information, if
3 you're a party to the pool, you've got standing in the
4 pool.

5 Of course, there is an obvious possibility
6 for a lack of reliable reservoir information. We all
7 know that the best way to get adequate reservoir
8 information on production and gas oil ratios is to
9 have a single meter on a single well. Where you're
10 commingling a group of wells, it's at the discretion
11 of the person that's filing the tests and taking the
12 tests to determine just how much production of oil or
13 gas comes from each individual well on that test.

14 Q. Mr. Nutter, I'd like to go through these
15 applications with you one at a time. Okay?

16 A. Okay.

17 Q. And you've stated that Mr. Hartman is an
18 operator.

19 Going back to the nonstandard proration
20 unit application and the unorthodox well application,
21 do you think an application for this many wells is
22 appropriate?

23 A. Not all at once, no. I think it should be
24 separated out.

25 Q. Can you explain to me why, and, if so, how

1 the redistribution of acreage would affect allowables
2 for different wells?

3 A. Allowable is assigned to acreage. It's not
4 assigned to wells. So the redistribution of acreage
5 is a common thing to assign the maximum acreage to the
6 maximum capacity of the well.

7 There's nothing wrong with that. Hartman
8 doesn't oppose that at all. What he opposes is having
9 to look at too many of them all at once and not
10 knowing which ones are productive, particularly if
11 they're located at nonstandard locations.

12 Q. Mr. Nutter, wouldn't an application for
13 redistributing the acreage on this magnitude be
14 tantamount to a modification of the allowable system?

15 A. Well, the reassignment of one well's
16 acreage has an effect on the total allowable because
17 it affects the amount of production that's going to
18 come from that well.

19 When you multiply it by the number of
20 proration -- I don't even know how many prorationing
21 units there are here, but there's 19 sections of
22 prorationing units. When you multiply the effect that
23 one would have by 19 sections with X number of
24 proration units, it's 19 sections and X times that
25 amount of impact that it has on the total allowable

1 system.

2 Q. Do you think this application for
3 unorthodox location and nonstandard proration units
4 has any precedential effects?

5 A. When you consider this magnitude, it does.
6 I can remember cases where TP came in when they
7 originally had these proration units in here, and
8 periodically TP would redesignate the acreage
9 assignments, but they would come in for maybe two or
10 three sections at a time. They didn't come in with 19
11 sections at a time, which is much easier to handle.

12 Q. Do you have any other problems with the
13 nonstandard proration unit and unorthodox location
14 aspect of these consolidated cases?

15 A. No, except the time that we've had to study
16 them, and we haven't had the time to study them. I
17 notice Mr. Stamets testified that he himself had been
18 working on this for two months. Even if we started
19 work the day that it was advertised in the newspaper,
20 which was only about -- I think the notice came out a
21 week, two weeks ago last Friday -- no, last Thursday.
22 I saw it in the paper when it came out, and I thought,
23 There's a boner in the newspaper.

24 Even if we had started studying at that
25 time, we wouldn't have had sufficient time to make a

1 thorough study of this that it should merit.

2 Q. In your opinion, is approval of this
3 application in the best interest of conservation,
4 prevention of waste, and protection of correlative
5 rights?

6 A. No, not overall.

7 Q. Turning to the case numbered 9774, which
8 seeks the single meter on the one unit, I believe
9 Section 11, can you tell me what problems you see with
10 that application?

11 A. Well, not knowing the productivity of the
12 gas wells, it's got five gas wells on the unit. The
13 plat identifies four of them. I don't know where the
14 fifth well is. And three of the four that I can see
15 are too close to the outer boundary of the proration
16 unit. Without knowing the productivity, I don't know
17 if they're going to produce all the gas out of one
18 well, produce it equally out of the four wells or five
19 wells that are on there, or just how they would
20 produce it.

21 I think we need to know something of the
22 productivity of wells or anticipated productivity when
23 these things come for hearing.

24 Q. Mr. Nutter, looking at the single unit
25 metering aspect of this application, can you tell me

1 how long single well metering has been practiced in
2 the Jalmat Pool?

3 A. The original Commission rules established
4 in 1950 or maybe even before then required that
5 individual gas wells should be metered separately.
6 The Jalmat Pool rules, which were established in 1954,
7 which Order No. R-520 specified individual gas wells
8 shall be metered. It's in the general rules. It's
9 always been the practice in New Mexico to meter gas
10 wells individually.

11 Q. What is the purpose of individual gas line
12 metering?

13 A. For two things: to be sure that the
14 production that's attributed to the well came from
15 that well, and to develop reservoir information. If
16 you know how much production came from a well, and you
17 know what the pressures are that are being taken
18 periodically on the well, you can see what the
19 reserves are under that tract. It's for the overall
20 good of all of the operators in the pool to have that
21 information.

22 When you have one operator that's going to
23 have it all going through a lot of little dotted lines
24 here and allocated back somewhere, you have no way of
25 really knowing for sure that it's been accurate.

1 If the gas metering company, or if the
2 pipeline has metered that production, you have a more
3 reliable form of metering that you can base your
4 reservoir information on.

5 Q. What is the overall effect of the loss of
6 that information?

7 A. Well, lack of good reservoir knowledge
8 means that you won't get as much reserves out of the
9 reservoir. If you've got good reservoir knowledge,
10 you can develop the reservoir more adequately and
11 produce it to a greater extent.

12 Q. Does unit metering as opposed to single
13 well metering have any effect on the operation of the
14 allowable system?

15 A. It could have.

16 Q. In what way could it have?

17 A. Because production could be attributed to
18 the wrong wells and allowables could be misdirected.

19 Q. What overall effect would that have on
20 other operators in the pool?

21 A. If any well is producing more than its
22 allocated share, which is possible when you have all
23 this commingling, it could damage the reservoir. It
24 can take more allowable than its share per acre than
25 it's entitled to. It could not only violate the

1 correlative rights of the offset operators, but affect
2 the whole allowable system throughout the entire 3508
3 pool.

4 Q. How would the allocation of production be
5 misdirected?

6 A. Either accidentally or intentionally.

7 Q. From the application and testimony that
8 you've heard today, do you think that such accidents
9 might occur through the metering system that's
10 proposed by Rasmussen?

11 A. It could well occur. I don't know.

12 Q. What would the effect of the lack of
13 separation other than pumping of liquids off of the
14 wells at the wellhead have on this?

15 A. I don't think that's adequate for a lot of
16 these wells in the Jalmat Pool. I think you have to
17 pass your liquids through a heater treater a lot of
18 times. You'll get additional gas off at that point.
19 You'll get more adequate separation of the liquids
20 from the gas.

21 According to these charts, this gas that
22 you pass through a heater treater would just go in
23 with the oil well gas. It would never be attributed
24 back to the gas well that produced it, and that well
25 would actually be overproducing its allowable, so to

1 speak.

2 Q. Does unit metering on this scale have the
3 potential of giving any unfair advantage to one
4 operator as opposed to other operators?

5 A. An operator that was inclined to mischief
6 would certainly have an advantage over other
7 operators. I don't even want to suggest that
8 Rasmussen would do that, but any operator subject to
9 mischief would.

10 Q. Mr. Nutter, could approval of this
11 application have precedential effect?

12 A. Absolutely.

13 Q. And what would the potential for mischief
14 be if this application had precedential effect?

15 A. The next application might be for 38
16 sections at a time instead of 19. And there I know
17 you'd find somebody with mischief in 38 sections.

18 Q. Do you have any other observations about
19 the single unit metering aspect of this application?

20 A. Well, it was my understanding to install a
21 meter, it costs about \$2,000. I think the exhibit we
22 had was \$2,377 for a meter run. It seems to me, for
23 the ultimate information that can be obtained, the
24 reliability of production data, that the \$2,000
25 investment is a cheap investment to obtain that

1 reservoir data.

2 Q. In your opinion, Mr. Nutter, is the
3 approval of this aspect of the application in the
4 interest of conservation, prevention of waste, and
5 protection of correlative rights?

6 A. Not the overall effect.

7 Q. Looking now at the portion of the
8 applications that seeks surface commingling of gas
9 well and casinghead gas, can you tell me how that
10 might affect the application of the allowable system
11 in the Jalmat Pool?

12 A. Well, as I mentioned earlier, if these
13 liquids haven't been passed through a separator before
14 going through the meter, and the liquids are simply
15 passed on to the heater treater along with the liquids
16 from the oil wells, any gas that came off from those
17 liquids is not attributed back to that gas well
18 because there's no means of doing that.

19 Furthermore, the measurement of wet gas
20 streams through meters is not efficient. You'll have
21 slugs of gas come through there that will blow the
22 needle right off that chart. That type of metering is
23 not an efficient method of metering gas.

24 Q. Does the commingling portion of the
25 application have any ramifications for compliance with

1 gas well and casinghead well allowables on the part of
2 an operator?

3 A. Again, if I were mischievous and operating
4 one of these, I could really have an adverse effect,
5 but I'm not mischievous, and I don't think Rasmussen
6 is either.

7 Q. Could it happen accidentally?

8 A. It could happen accidentally, yes.

9 Q. Do you think this case would have a
10 precedential effect in encouraging other operators to
11 seek this sort of an application?

12 A. If they see an opportunity to save \$2,000
13 on a well that cost half a million dollars, I guess
14 they might want to try that.

15 Q. Do you have any other observations with
16 regard to the surface commingling portion of this
17 application?

18 A. No. No, Hartman doesn't object to the
19 commingling of the oil wells with the oil wells. It's
20 the gas wells with the oil wells that he sees some
21 potential endangerment.

22 Q. Is your understanding that there's a danger
23 of commingling of gas well gas with oil well gas under
24 this portion of the application?

25 A. Yes, there could be.

1 Q. Do you have any further testimony?

2 A. No.

3 Q. Do you care to summarize your objections to
4 these three applications for the hearing examiner?

5 A. Well, I think that it can lead to two
6 things. It can certainly lead to the violation of
7 correlative rights by the wholesale commingling of
8 large amounts of gas and attributing it to the wrong
9 well either by intent or accident, thereby affecting
10 correlative rights.

11 And certainly I think that in not obtaining
12 adequate reservoir information, it could certainly
13 lead to waste by not making available the best
14 reservoir engineering data that could extend the life
15 of the reservoir and lead to the maximum ultimate
16 recovery from that reservoir.

17 So I see in two respects that it could
18 violate correlative rights and cause waste.

19 MS. REUTER: I have nothing further. I
20 pass the witness.

21 HEARING EXAMINER: Thank you. Mr. Carr?

22 CROSS-EXAMINATION

23 BY MR. CARR:

24 Q. Mr. Nutter, you're employed by Mr. Hartman
25 on a regular basis, are you not?

1 A. Yes, sir.

2 Q. Part of your duties include reviewing the
3 dockets and keeping him advised as to items before the
4 OCD?

5 A. Yes, sir.

6 Q. You saw the ad in the newspaper. Is that
7 the first time you were aware of these applications?

8 A. Yes.

9 Q. Did that come out before you got the
10 docket?

11 A. Yes.

12 Q. At that time did you call Mr. Hartman?

13 A. No, I did not.

14 Q. You knew this was a sweeping application
15 when you saw the ad, did you not?

16 A. Yeah, but it didn't occur to me to call
17 Hartman at that time.

18 Q. When did you contact Mr. Hartman about this
19 matter?

20 A. He contacted me first about ten days ago.
21 When the docket came out is when he contacted me. He
22 wasn't aware of it until the docket came out.

23 Q. Does he independently get the docket?

24 A. Apparently, he's on the mailing list to
25 receive the docket.

1 Q. You discussed the application with Mr.
2 Hartman at that time?

3 A. Yes, I did.

4 Q. Did he indicate to you that he had any
5 particular information on any of the properties that
6 were involved in this case?

7 A. Did he indicate -- no, he didn't mention
8 any of the particular properties, no.

9 Q. Have you discussed it with him since that
10 time?

11 A. I talked to him last night.

12 Q. During any of these conversations, has he
13 indicated to you that he attempted to purchase these
14 properties when the Rasmussen group acquired them?

15 A. No, he didn't say that.

16 Q. Has he discussed with you any kind of
17 information he developed concerning the productive
18 capabilities of the land in an effort to purchase
19 these tracts?

20 A. No, I haven't talked to him about that.

21 Q. When you started working on this case
22 actually for Mr. Hartman, when would that have been?

23 A. Oh, just a few days ago.

24 Q. Wouldn't establishing what he actually owns
25 be the first thing you would want to know before you

1 got into this?

2 A. Well, no, because he didn't approach it
3 from an individual offsetting operator. He approached
4 it as a general principle, and we didn't discuss,
5 "Where is your nearest acreage, Hartman?" We didn't
6 discuss that, and so I didn't really know where his
7 nearest acreage is, and I don't know how much acreage
8 he has in the immediate vicinity. I do know we had a
9 hearing on one tract just a mile away from some of
10 this acreage.

11 Q. And his concern is that his correlative
12 rights --

13 A. We had a hearing on Section 18 two weeks
14 ago today, which is one mile away from your proration
15 unit in Section 11.

16 Q. Could you tell me what his concern is? Is
17 it that his correlative rights are being impaired?

18 A. No, no.

19 Q. He's not concerned with impairment of
20 correlative rights?

21 A. No. If there's a misdirection of the
22 allowable in the wells.

23 He wasn't concerned about the correlative
24 rights immediately. He's concerned about his
25 correlative rights in the pool as a whole because any

1 time that you have a misdirection of production
2 improperly of the individual wells beyond their share
3 of the allowable, it affects the correlative rights of
4 all operators in the pool.

5 Q. Isn't it appropriate if you're going to try
6 and act to protect correlative rights, to first try
7 and determine what those rights are?

8 A. To tell you the truth, Mr. Carr, I'd hate
9 to have to determine what correlative rights are. I
10 know what the Supreme Court said you have to do to
11 protect correlative rights, and nobody has found that
12 to be possible yet; so I don't know how anybody
13 determines exactly what the correlative rights are.

14 But correlative rights means your fair
15 share, and if one well is taking more than its share,
16 then obviously it's affecting everybody's correlative
17 rights to a degree.

18 Q. And that would be affected, I think you
19 said, if an allowable was misdirected to a well?

20 A. Correct.

21 Q. Aren't allowables directed to units, not to
22 wells?

23 A. Well, there are wells which may not be
24 capable of making the allowable for the unit, but
25 another well might make more than the allowable for

1 the unit. And these tests could be altered to show
2 that the production is coming. It's overproducing one
3 well, but it's coming from being attributed to another
4 unit which has no production or very little
5 production.

6 Q. To a unit on which the well is not located;
7 is that what you're saying?

8 A. Even to that, yes, and certainly to wells
9 on the unit.

10 Q. Do you see anything in this application
11 that would, say, let us attribute production from a
12 well on one proration unit to another proration unit?

13 A. I see nothing here that calls for an
14 independent third party to be metering the production.

15 Q. Is that what happens on all units, well by
16 well?

17 A. Most of the time, it's a pipeline measuring
18 the gas coming from the unit. Here it will be
19 Rasmussen measuring the production from each unit.
20 And then far down the line you've got Northern Natural
21 or somebody measuring the total production from all
22 along the units is the way I understand the
23 application.

24 Q. Does Mr. Hartman prefer in all cases to
25 have a third party monitor the production from all of

1 his wells?

2 A. I don't know as he's got any units
3 commingled and going into a single system.

4 Q. Did he in the past?

5 A. Not that I'm aware of. He might in the
6 future.

7 Q. Do you know how many units in the Jalmat
8 Mr. Hartman has operated over the years?

9 A. I don't know how many units. He had over
10 100 wells in the Jalmat a year ago.

11 Q. Are you aware of any standard units that he
12 operated in that time?

13 A. Standard units?

14 Q. Standard proration units in the Jalmat
15 Pool?

16 A. No.

17 Q. Are you aware of any unit he operated in
18 the pool where there was not simultaneous dedication
19 of wells?

20 A. Oh, yes.

21 Q. How many of those?

22 A. I have no idea.

23 Q. Those would have been small units, less
24 than, say, 160 acres?

25 A. No. Some of them are 160.

1 Q. Any larger than that?

2 A. With one well, I couldn't say.

3 Q. Did he operate many wells that were
4 simultaneously dedicated in the Jalmat?

5 A. Of more than one well to the unit?

6 Q. Yes.

7 A. Yes.

8 Q. Did he operate many units that had wells at
9 unorthodox locations?

10 A. Yeah, he had some of those.

11 Q. If you had 30 days, would you be able to
12 get prepared for a hearing, do you think, with this
13 many applications pending before you?

14 A. I would be a heck of a lot more prepared
15 than I am today.

16 Q. When you look at any one of these
17 applications, are you here testifying that any one of
18 these nonstandard units or proposals creates waste and
19 impairs correlative rights? Are you testifying you've
20 got to have more time to figure that out?

21 A. I'm saying the overall effect could impair
22 correlative rights and cause waste.

23 Q. You could see to that, but you've got to
24 have more time to study it?

25 A. No. It could do that because you would

1 have less reliable reservoir information and a
2 possibility of misdirection of allowable.

3 Q. You just have the possibility. You're not
4 saying it's going to be?

5 A. I'm not saying it's going to happen.

6 MR. CARR: That's all I have.

7 HEARING EXAMINER: Is there any redirect,
8 Miss Reuter?

9 MS. REUTER: No I have no redirect.

10 DIRECT EXAMINATION

11 BY HEARING EXAMINER:

12 Q. Mr. Nutter, I'm still a little confused
13 here about your confusion. What portion of the
14 application was misstated or incorrect?

15 A. It's on the exhibit that's attached to the
16 application, "Exhibit A attached." It says, "Proposed
17 nonstandard Jalmat gas proration units and Jalmat gas
18 well locations," and it gives a list of all of these
19 units.

20 Q. Is that the same exhibit that appears as
21 the Applicant's Exhibit No. 7 today?

22 A. Yes, it is.

23 Q. What portion --

24 A. Except this one says Exhibit A on it, and
25 that's been blanked out on Exhibit 7.

1 Q. Other than that, that's the only change?

2 A. As far as I know. I haven't proofread the
3 whole thing, but I think it's the same exhibit.

4 Q. You said something about the asterisk?

5 A. Yes. If you'll look at the first page
6 there, Section 11, the (all standard 640 acre unit in
7 approved locations).

8 Q. And that's the only one that appears?

9 A. Yes.

10 Q. Where is that Section 11 located, what
11 township?

12 A. That Section 11 is up in 22 36. It's No. 5
13 up there in the upper right, the big 640 pink one.

14 Q. What case involves that section?

15 A. That is case No. 9775 -- no, wait a
16 minute. That's case 9774.

17 Q. So that was a separate case that just is
18 going to amend orders that are already by us with a
19 special metering provision; is that correct?

20 A. Well, that wasn't the way I read it,
21 certainly.

22 Q. Would it have been better if I would have
23 maybe wrote 16 separate cases?

24 A. I think it would have been better if they
25 hadn't filed 16 at the same time.

1 Q. Well, I'm going to re-ask my question.
2 Should I have written 16 separate cases and made it
3 more clear?

4 A. I don't know. I really don't know how I
5 would have handled it if I had been doing it, Mr.
6 Stogner.

7 Q. You were talking about a
8 precedential-setting case having 16 nonstandard
9 proration units in one case, as case No. 9775 is
10 requesting. Are you suggesting this hasn't been done
11 at the Division or just in the Jalmat Pool?

12 A. I don't recall ever seeing this many
13 unorthodox proration units on one docket except -- now
14 I know up in the San Juan Basin when Al Kendrick was
15 the engineer up there, along some of those on those
16 townships had correction lines along the west side or
17 north sides of the township, and there were little
18 fractional sections he would take before anybody had
19 even started drilling in the area. And he would take
20 and mark those off and try to divide those lots up
21 into near correct size proration units, and he would
22 come in with maybe 20 or 30 of those.

23 But it was undeveloped acreage that he was
24 just trying to allocate in advance so that people
25 wouldn't have any misunderstanding as to how the

1 acreage should be developed, and then the Commission
2 would come out with an order saying, "These are the
3 proposed proration units for this fractional section
4 here, half in one section, and a half in another
5 section"; so you would come up with close to 320-acre
6 proration unit.

7 Maybe it would take five lots to come as
8 close as for his 320, but that's the most I ever saw.
9 And I've never seen an operator come in with many.
10 Maybe they have, but I'm not aware of any that have.

11 MR. STOVALL: Along those lines, Mr.
12 Nutter, if they had come in with 16 separate
13 applications, docketed them for one hearing, wouldn't
14 it not have been likely that they would consolidate
15 the hearing and hear all 16 of them at one time?

16 THE WITNESS: They probably would have been
17 consolidated for hearing.

18 MR. STOVALL: In your mind, what's the
19 difference? What's the impact or significance of the
20 difference?

21 THE WITNESS: I don't know. I really don't
22 know. It's just too many to study when they've had
23 three months; we've had ten days -- maybe more than
24 three months.

25 HEARING EXAMINER: Are there any other

1 questions of this witness?

2 MR. STOVALL: I would like to follow up a
3 little bit.

4 DIRECT EXAMINATION

5 BY MR. STOVALL:

6 Q. If I understand what you're saying
7 correctly, your biggest concern in terms of Mr.
8 Hartman's interests is potential impact on the
9 allowable; is that correct?

10 A. And on reservoir engineering data. That I
11 think concerns him more than anything.

12 Q. When you're saying reservoir engineering
13 data, are you talking about the ability to collect
14 data on individual wells to more properly study the
15 reservoir?

16 A. Yes, sir.

17 Q. With respect to the allowable portion, are
18 you aware that should there be some mishappening with
19 respect to the allowable, that you certainly would be
20 welcome to appear at the allowable hearing?

21 A. It wouldn't be a subject of allowable
22 because you wouldn't be aware of it. You wouldn't be
23 aware that his production is being misdirected.

24 Q. One of your concerns, following up on what
25 Mr. Carr was saying, because I think I have some

1 concerns with that is, with respect to you had
2 indicated it would be possible to shift production
3 from a high production well to a low production well;
4 is that correct?

5 A. Um-hm.

6 Q. I think he asked you some questions with
7 respect to whether that would be on the same
8 production unit or not?

9 A. It could be on the same production unit or
10 --

11 Q. Let me stop you there, if I may, and deal
12 with that part of it. What's the effect of that with
13 respect to allowables?

14 A. That wouldn't have a direct effect on total
15 pool allowable because the allowable was assigned to
16 that unit.

17 Q. It doesn't matter whether one or five wells
18 produce out of that well; is that correct?

19 A. That's right. However, with respect to
20 nonstandard locations, it could be a well at a
21 nonstandard location that's directly offsetting
22 another operator, and that well could be a great well,
23 and they would be producing a lot from it and
24 misdirecting the production or directing it to an
25 interior well on the production unit, and that would

1 be violating correlative rights.

2 He would be overproducing the allowable
3 that that unit -- not overproducing the allowable for
4 that unit, but he would be overproducing that unit's
5 share of allowable to be produced by that one
6 individual well and misattributing it to another well.

7 Q. I think I understand what you said.

8 A. It's happened. I know it's happened before
9 in other cases.

10 Q. And you're assuming that that would be the
11 case only if the well had a penalty attached to it or
12 some limitation on production attached to that well
13 because of its nonstandard location; is that correct?

14 A. Well, or maybe there wasn't any penalty
15 attached to the well because it was believed to be a
16 low productivity well, and it would continue to be
17 shown as a low productivity well. Say, a well right
18 in the very corner of a proration unit, and they came
19 in and said, "This well has low productivity, but I
20 want to get an unorthodox location approved for it as
21 a gas well for this size of the unit."

22 And they'd say, "Well, you've got another
23 well over here. How much does it make?"

24 "It makes X amount. This other well makes
25 half an X. But this other well really makes two X's

1 instead of half an X."

2 Q. Mr. Nutter, does Mr. Hartman have any
3 acreage offsetting any of those wells that you're
4 aware of?

5 A. I'm not sure where his offsetting acreage
6 is. I don't think his immediate concern is the effect
7 of these proration units on his correlative rights
8 except overall as pool allowable might be concerned.

9 MR. STOVALL: I have no further questions.

10 HEARING EXAMINER: I do have one question
11 that you brought up, Mr. Nutter.

12 FURTHER EXAMINATION

13 BY HEARING EXAMINER:

14 Q. That is, having a separator on each of the
15 gas wells. Do you think it would be beneficial in
16 this case to have a separator on each gas well?

17 A. A lot of these gas wells are making water,
18 and you might even have to have a heater treater on
19 them.

20 Q. By putting a separator on it, would it be
21 more of an accurate measurement with their proposed
22 metering proposal?

23 A. With any proposed metering system, it's
24 more accurate to have that gas separated. It's much
25 more accurate.

1 HEARING EXAMINER: Are there any other
2 questions of Mr. Nutter? If not, he may be excused.

3 Mr. Carr, do you wish to recall your
4 witness?

5 MR. CARR: No, Mr. Stogner. If you want to
6 recall my witness for questions, I'd be glad to have
7 you do that. If not, I'd be prepared to make a brief
8 closing and ask the case be taken under advisement.

9 HEARING EXAMINER: I believe we're ready
10 for closing statements. Miss Reuter, I'll allow you
11 to go first, and, Mr. Carr, you will proceed second.

12 MS. REUTER: I will be brief. I believe
13 we've fleshed out the issues here quite thoroughly.
14 Our basic problem with this application, as you know,
15 is we have not had time to study the ramifications of
16 it.

17 I think, in a nutshell, what you could say
18 Mr. Hartman's problem with it is, is that by using
19 unit metering, nonstandard proration units, and
20 commingling on such a large-scale basis, 16 units, you
21 can effectively alter the application of the allowable
22 system to you as an operator.

23 You can see that allowables apply to more
24 productive wells. And the problem with doing that is
25 that's not really the approach that should be taken if

1 allowables need to be increased or need to be adjusted
2 so that the producer or the operator can produce. The
3 way to approach it is to change and modify the
4 allowable system.

5 The specifics of this application on
6 unorthodox locations, that sort of thing I think is,
7 as Mr. Nutter testified, we can't really tell how you
8 can misdirect allocation of allowables in particular
9 wells until we have more of an opportunity to look at
10 it. But that potential is certainly there.

11 And without ever, ever impugning Rasmussen
12 Operating or indicating that they might do something
13 like that, you're dealing with a large number of
14 sections, and it can be used as a precedent for other
15 operators to come in and do the same thing, and
16 potential for abuse is fairly substantial.

17 No one has indicated, not Mr. Nutter or Mr.
18 Stamets, that anyone has ever approved this many
19 nonstandard proration units or single-unit metering
20 applications in one shot, in one fell swoop. Maybe
21 three or four but never this many in the Jalmat. Just
22 by doing that, I think you're setting a precedent;
23 that it isn't an appropriate thing to do. Coming in,
24 all your proration units to be rearranged, revised,
25 starting a metering, and everything is hunky-dory, and

1 you can avoid an allowable system in that fashion.

2 I would also point out as to the single
3 unit metering, the only justification for that was the
4 economics of not having to meter individual wells as
5 opposed to one on the unit.

6 In balance, against the possibilities of
7 abuse, the possible precedential effect, the possible
8 inaccuracies, it doesn't seem to me sufficient
9 economic justification for that much of a deviation of
10 a standard practice on such a large scale.

11 In short, this application does, I think,
12 amount to a sort of mini-readjustment of the allowable
13 system rather than looking at it as a whole, and we
14 would request that the application be denied or
15 continued until we have more time.

16 I have nothing further.

17 HEARING EXAMINER: Thank you, Miss Reuter.

18 MR. STOVALL: Is that a new motion to
19 continue, Miss Reuter?

20 MS. REUTER: Certainly, it's a new motion
21 to continue.

22 MR. CARR: If there's a new motion to
23 continue, I would ask that you consider my previous
24 response to the motion.

25 HEARING EXAMINER: Mr. Carr?

1 MR. CARR: May it please the Examiner, Mr.
2 Rasmussen has a substantial interest in the Jalmat
3 Pool. He's got plans to implement certain procedures
4 to improve the producing capabilities of these
5 properties. And he stands before you with three cases
6 instead of 16. If we needed 16, I can assure you, I
7 would have filed 16.

8 Notice was given as required by the rules
9 of the Divison. Mr. Nutter indicates he read it in
10 the newspaper. And even though he said he couldn't
11 have been fully ready by this time, he didn't call Mr.
12 Hartman. This came back from Midland after the fact
13 of some discussions they had, and they're here taking
14 a position that is an expression of general concern
15 without even telling us what their property interest
16 is.

17 We submit to you that what we're attempting
18 to implement in this pool, nonstandard proration
19 units, simultaneous dedication, unorthodox well
20 locations, a new way of metering, surface commingling,
21 are things for which there is precedent, much of the
22 precedent from Mr. Hartman in his own operations in
23 this very pool.

24 They come in here, and they're not really
25 complaining about the nonstandard units, and they

1 don't know what they own. So their complaints are
2 maybe about the unorthodox well locations. They're
3 not complaining about simultaneous dedication. They
4 want to complain about metering and recommend certain
5 things that I guess if we want to go to absurd lengths
6 to improve the efficiency of metering throughout New
7 Mexico, we could require every well had a separator
8 and a heater treater and a meter, test it every day,
9 and do whatever they think is appropriate.

10 But what we've come with is a plan that's
11 reasonable and appropriate. It will save money. By
12 saving money, it will result in longer economic life
13 for these wells and greater economic benefit. It's
14 not a dollars and cents question alone. It's a waste
15 question, and it's a sound argument to present to you
16 for consideration.

17 They had problems about impact on data, and
18 maybe this is having an effect on the allowable. They
19 don't have a problem with us, but they think it's a
20 bad precedent that it may be an attempt to readjust
21 the allowable. Any time anybody makes a unit out
22 there more efficient, it has a tendency to readjust
23 the allowable. It tends to push it wide open.
24 Everybody should benefit from that.

25 We believe we've come before you with

1 proper applications. We've given proper notice to
2 everyone we're required to give notice to under the
3 rules. We have come before you, presented our case,
4 answered every question asked, with the help of a
5 recess or two, but the only questions that aren't
6 answered are really the questions that haven't been
7 asked.

8 We appreciate the general concern that Mr.
9 Hartman has that he may be able to present a different
10 and more detailed case if he has 30 additional days,
11 but after he reviews this, and whatever you decide, he
12 will have at least 30 days before he has an absolute
13 right to have the whole matter heard anew.

14 We submit to you, the case is ready to be
15 taken under advisement. It should be taken under
16 advisement. And when you do that, you will move the
17 whole administrative process forward, and we will be
18 closer to the day when the questions concerning each
19 and every one of these units is finally resolved.

20 We ask you, therefore, to take the cases
21 under advisement and enter whatever order you deem
22 appropriate based upon the record before you today.

23 HEARING EXAMINER: Thank you, Mr. Carr.
24 For the record, any motion that might have been made
25 is overruled.

1 Is there anything further in either or all
2 of cases Nos. 9774, 9775, or 9776 at this time?

3 These cases will be taken under
4 advisement.

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1 CERTIFICATE OF REPORTER

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

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7 I, Deborah O'Bine, Certified Shorthand
 8 Reporter and Notary Public, HEREBY CERTIFY that the
 9 foregoing transcript of proceedings before the Oil
 10 Conservation Division was reported by me; that I
 11 caused my notes to be transcribed under my personal
 12 supervision; and that the foregoing is a true and
 13 accurate record of the proceedings.

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

18 WITNESS MY HAND AND SEAL November 1, 1989.

19

Deborah O'Bine
 DEBORAH O'BINE
 CSR No. 127

20

21 My commission expires: August 10, 1990

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I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Cases Nos. 9774, 9775, & 9776
 heard by me on 4 October 1989.

Michael J. [Signature], Examiner
 Conservation Division