

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPT.
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO
6 25 April 1984

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Echo Production CASE
10 Company for compulsory pooling, 8165
11 Lea County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13
14 TRANSCRIPT OF HEARING

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16 A P P E A R A N C E S

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19 For the Oil Conservation W. Perry Pearce
20 Division: Attorney at Law
21 Legal Counsel to the Division
22 State Land Office Bldg.
23 Santa Fe, New Mexico 87501

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25 For the Applicant:

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MR. STOGNER: We'll call next
Case Number 8165.

MR. PEARCE: That case is on
the application of Echo Production Company for compulsory
pooling, Lea County New Mexico.

Mr. Examiner, applicant has
requested continuance until May the 9th, 1984.

MR. STOGNER: Case Number 8165
will also be continued to the Division Hearing scheduled for
May 9th, 1984.

(Hearing concluded.)

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C E R T I F I C A T E

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8165 heard by me on April 25 1984.
Michael J. Stewart Examiner
Oil Conservation Division

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

9 May 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Echo Production
Company for compulsory pooling,
Lea County, New Mexico.

CASE
~~6165~~
8165

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STAMETS: We'll call next
Case 8165.

MR. PEARCE: That case is in
the matter of the application of Echo Production Company for
compulsory pooling, Lea County, New Mexico.

Mr. Examiner, applicant has
requested that this case be continued until the May 23rd
Examiner hearing.

MR. STAMETS: This case will be
so continued.

(Hearing concluded.)

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C E R T I F I C A T E

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is a correct and true transcript of the proceedings in the above hearing of Case No. 3165 heard by me on 5-9-84
Richard V. Stinson Assistant to
Oil Conservation Division

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

23 May 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Echo Production Company for compulsory pooling, Lea County, New Mexico.	CASE 8165
--	--------------

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
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For the Applicant:	T. Calder Ezzell, Jr. Attorney at Law HINKLE LAW FIRM P. O. Box 10 Roswell, New Mexico 88201
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I N D E X

GEORGE CLINT HENDRICKSON

Direct Examination by Mr. Ezzell	3
Cross Examination by Mr. Stogner	13

HEN-CHEN LEE

Direct Examination by Mr. Ezzell	14
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HARRY TOM HUNNEWELL

Direct Examination by Mr. Ezzell	22
Cross Examination by Mr. Stogner	27

HEN-CHEN LEE (RECALLED)

Cross Examination by Mr. Pearce	29
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E X H I B I T S

Echo Exhibit One, Packet of Exhibits	18
Echo Exhibit Two, Schematic	24
Echo Exhibit Three, Correspondence	32

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3 MR. STOGNER: We'll call now
4 Case 8165.

5 MR. PEARCE: That case is on
6 the application of Echo Production Company for compulsory
7 pooling, Lea County, New Mexico.

8 Call for appearances at this
9 time.

10 MR. EZZELL: Calder Ezzell of
11 the Hinkle Law Firm out of Roswell, representing the appli-
12 cant.

13 I have three witnesses to
14 swear.

15 MR. PEARCE: Are there other
16 appearances in this matter?

17 Could I ask each of the witness-
18 ses to rise at this time, please?

19 (Witnesses sworn.)

20 GEORGE CLINT HENDRICKSON,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23 DIRECT EXAMINATION

24 BY MR. EZZELL:

25 Q Will you state your name, your employer

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and your capacity, please?

A My name is George Clint Hendrickson. I'm employed by Echo Production in Graham, Texas.

Q In what capacity?

A I'm a petroleum landman for them.

Q Have you testified before the Commission before?

A No, I have not.

Q Would you briefly state your education and work experience, please?

A I graduated from the University of Texas with a degree in petroleum land management in May of 1981.

Upon graduation I was hired by the Land Manager, Mr. Joe Jorder (sic) for Echo Production and have been with them for going on almost three years.

I handle primarily, over the last two years, I've been handling the Permian Basin and southeastern New Mexico operations for Echo.

Q Did you have responsibility for the particular prospect that's the subject of this application?

A Yes, I did.

MR. EZZELL: We'd like to tender Mr. Hendrickson as qualified to testify in the land aspects of this application.

MR. STOGNER: He is so qualified.

Q Just in your own words would you tell the

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Commission what Echo is seeking by this application?

A Echo is hoping to, through compulsory pooling, force pool the north half of Section 23, of Township 9 South, 32 East, in Lea County, New Mexico, which would so enable us to drill a 320-acre unit Atoka well out there.

The purpose for this is over the past year I've been working on this prospect. There have been two parties that we have been unable to find as such, and there've been some parties that have been in disagreement with the terms that we've offered and negotiated and some parties have elected to participate.

Q Is the mineral ownership in the north half of Section 23 common or is it separate in each of the quarter sections?

A It is separate in the quarter sections.

Q Have you had a title examination done on the prospect?

A Yes, I have. The Hinkle Law Firm in Roswell, New Mexico, did a title opinion for us.

Q What is Echo's leasehold position in the north half of 23?

A In the northeast quarter of Section 23 we have 100 percent of all of the minerals currently under lease directly to Echo.

In the northwest quarter is where forced pooling is needed. We have about fifty acres currently un-

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2 der lease and we have 105 acres that we're asking to be
3 force pooled at this time.

4 Q And how many different owners are there
5 involved in the unleased 105 net acres?

6 A Approximately ten owners.

7 Q Why don't you identify each of those own-
8 ers and their interests and briefly tell us what efforts
9 you've made to contact them to get them to participate in
the drilling of this well?

10 A All right. We'll start.

11 The first interest is owned by Hanlad Oil
12 Corporation in Roswell, New Mexico.

13 I have been in contact over the last year
14 with Mr. Ray Willis there, who runs their operations. We
15 had a very congenial conversation.

16 All of our leases that we've taken in the
17 northeast and the northwest quarter have been at \$100 an
18 acre bonus and 3/16ths royalty. There are some interested
19 parties up there that have vast mineral interests that have
20 leased to us, the Wynans (sic) and such, and we have tried
21 to stay consistent with that with everyone, and Hanlad has
22 asked for double that bonus and 1/4 royalty in that, and we
23 have not been able to come to terms, so thus we have put
24 this off until now and we have offered them right of parti-
25 cipation or a farmout and they would prefer for us to lease
at their price, thus we are here today.

Q You are continuing in negotiations with

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them at this time?

A Yes. Yes.

Q Are they aware of this hearing today?

A Yes. I have sent them certified letters, return receipt requested. All conversations have been followed by letters between Mr. Willis and myself.

Q Okay, who is the next unleased owner?

A The next is Mr. C. H. Davis. This is his separate property and his former wife, Glenna Faye Davis, is her separate property, and --

Q What interest do they own?

A They own three -- well, 6/96ths, 3/96ths each.

Q Okay.

A Mr. Davis -- Mr. Davis and Ms. Davis executed leases back in 1972 upon this. Their last known address was in Evergreen, Colorado.

I wrote to them, return receipt requested, and it came back to me. I had word that she had moved on to Santa Monica, California. I wrote out there to her current address, return receipt requested. It was returned.

I checked their leases and wrote to their last banks of depository and their accounts are no longer open in either case in Oklahoma.

I wrote to the utility companies in Santa Monica and to Evergreen, Colorado, hoping to track them down that way and to the Tax Assessor/collectors in each of the

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2 counties where their banks or their last known residences
3 were.

4 And they have not been located since.

5 Q And these two owners are the only owners
6 that you have been unable to locate, even though there are
7 other unleased interests in --

8 A That is correct. I've personally talked
9 on the phone and by written correspondence with every other
10 unleased owner.

11 Q And so these are the only two unlocatable
12 interests that you would ask to be force pooled.

13 A Yes, sir.

14 Q Okay, who is the next unleased owner?

15 A The next one is a Mr. H. C. Hood. Mr.
16 Hood owns 1/16th of the minerals out there. His wife had
17 designated in her will upon her death in 1974 that the Mid-
18 land National Bank would serve as trustee over that.

19 I have been in contact with them and Mr.
20 Hood now handles all that himself.

21 He has relocated from Midland, Texas, to
22 Tucson. I have been unable to talk with him on the phone.
23 I have made a total of eight calls at various times over the
24 last three months since finding out that he was in Tucson
25 and have been able to contact him.

I have sent registered letters of return
receipt requested, which he has picked up. He is aware of
the forced pooling action. He was offered right of partici-

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2 pation, farmout, or to lease at our \$100 an acre bonus,
3 3/16ths, and we have never received any correspondence other
4 than his signature upon receiving those registered receipts.

5 Q So he has -- he has received your mailed
6 notices and your offer and is aware of this hearing?

7 A I assume so just from him accepting those
8 letters.

9 Q But it's possible that he's not doing
10 anything on this because his mineral interest is burdened by
11 a nonparticipating royalty interest to the extent that he
12 wouldn't get any royalty anyway?

13 A That could be true.

14 Q All right, what other unleased owners do
15 you have?

16 A All right. We have a Mr. Roy Garner and
17 he owns about 5/160th interest out in this northwest
18 quarter. Virtually the same has gone on with Mr. Garner.
19 We have written letters. We have return receipts from him
20 but have virtually, I would assume, been ignored by him,
21 just as in the case of Mr. Hood.

22 You know, I've had no telephone conversa-
23 tions with the gentleman. I have --

24 Q He has received your communications.

25 A He has, and has returned the return reg-
istered receipts.

We had originally set this hearing for
the 22nd, I believe, of April, asking for a postponement.

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We got it until the 9th. Then we had to ask for one more postponement and he always picked up his mail and signed the receipts even when I notified him of the postponements. So he is very well aware of what is going on today.

Q What other owners?

A Mr. C. D. Christy, who owns 7/96ths interest. Mr. Christy is out of Wichita Falls, Texas, which is only 60 miles north. We have a personal working relationship with him and he has elected to participate as he has participated in some of our Texas wells, also.

Then we have Mssrs. Richard L. Moore, Michael H. Moore, and Steven Scott Moore of Midland, Texas.

I have been in contact with them over the last year. They very much along the lines of a \$150 bonus and 1/4 royalty is what they are leasing for and informed me that they would lease for nothing less than this at all and I have made them aware of the forced pooling and all correspondence they have picked up or a secretary has picked up and signed the return receipt requested and have just left it at that for today's hearing.

Q Is there a possibility that they will participate in the well?

A It would be my personal opinion it is doubtful but they have been offered that right of participation. Their interest is extremely small. Between them they own 1/32nd between all three brothers, so that's only five net acres.

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2 And next we have Mr. Roy George Barton,
3 Jr., and he really speaks for himself and his mother by way
4 of his Barton Oil Company down in Hobbs, New Mexico, and I
5 have talked with Mr. Barton on numerous occasions.

6 He at first had indicated that he would
7 participate and upon seeing the interest that he owned out
8 there, he's not sure, it's relatively small, that he wants
9 to, but we have a working relationship with him and we'll
10 work something out with him, you know, farmout, lease, or
11 participate with us, and my correspondence with him follows
12 every conversation with return receipt requested, registered
13 mail, and we do have a very congenial relationship.

14 Q And then C. E. Alexander?

15 A Mr. C. E. Alexander has 1/32nd in this
16 five net acres. We have talked with Mr. Alexander. He is a
17 rancher outside of Lovington, New Mexico and he has indi-
18 cated that he requests to be force pooled.

19 Q So there are just the two 3/96th owners
20 that are unlocatable, although you are continuing your ef-
21 forts to try to locate them --

22 A Yes.

23 Q -- at this time, and there are four own-
24 ers, the Moore brothers in Midland and Hanlad, who have in-
25 dicated that they will lease to you but the price is too
high for you?

A Yes, we would prefer to keep everyone the
same.

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2 Q And it's not so much the bonus considera-
3 tion that is a problem but the royalty rate for this area?

4 A Correct, it is a wildcat well.

5 Q And it is you alls feelings that a one
6 well shot in this area just does not justify a 25 percent
7 royalty rate.

8 A That's correct. We have no other lease-
9 hold within five miles around this area.

10 Q When do you propose to begin drilling if
11 your application is approved?

12 A Hopefully, mid-summer, particularly mid-
13 July, in fact.

14 Q Okay, and you will continue to make your
15 efforts to negotiated with the recalcitrant owners and lo-
16 cated the unlocatable owners --

17 A Yes.

18 Q -- in between now and then.

19 A All the way up even through spud date on
20 that.

21 Q Does Echo Production seek to be the oper-
22 ator of this well?

23 A Yes, we do.

24 Q Is it your opinion that the approval of
25 this application will be in the interest of conservation,
the prevention of waste, and the protection of correlative
rights?

A Yes, sir, I certainly do.

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MR. EZZELL: I have no further questions of this witness.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Hendrickson, do you have copies of the return receipts and letters and correspondence?

A I have the return receipts all right here with me and --

Q All right.

A -- copies of the letters. In fact, the letters that were returned that -- unopened or unanswered, I never have even opened them myself. They are in original state that they were sent back to us with the offer in them if you'd like to open them and read it.

Q I don't think that will be necessary.

MR. STOGNER: Mr. Ezzell, do you plan to present these as exhibits this morning or --

MR. EZZELL: If it please the Examiner, yes.

MR. STOGNER: I think we should.

MR. EZZELL: Okay. Then I will let him gather -- he was going to testify from them. I'll let him gather them while we hear the next witness.

MR. STOGNER: That will be fine, sir.

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MR. EZZELL: Okay.

MR. STOGNER: I have no further questions of Mr. Hendrickson.

Are there any other questions of this witness? If not, he may be excused.

HEN-CHEN LEE,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EZZELL:

Q Would you state your name and your employer and what capacity you're employed?

A Yes, sir. My name is Hen-Chen Lee. Let me spell for you. It is H-E-N - C-H-E-N. Last name of Lee, L-E-E.

I'm employed by Echo Production. I'm their exploration geologist. I start working at Echo Production April 20, 1982.

Q Have you testified before the Commission before?

A No, sir.

Q Would you briefly state your educational and work experience?

A Yes, sir. In 1976 I finished Bachelor's degree in geology, where I came from, Taiwan, and 1978 I en-

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2 tered in University of Arkansas, but in 1980 I finished Mas-
3 ter's degree in geology from University of Arkansas.

4 I started working for Atlantic Resources
5 in Dallas in late 1980.

6 Then 1982, April 20, I started working
7 for Echo Production; total over two and a half years exper-
8 ience in the New Mexico area.

9 Q Have you had the particular responsibil-
10 ity for the geological work on this prospect?

11 A Yes, sir. On this prospect I start and
12 to this point. I generate prospect. I choose the location.
13 I doing all the works.

14 MR. EZZELL: We would submit
15 Mr. Lee as an expert in the field of geology.

16 MR. STOGNER: Mr. Lee is so
17 qualified.

18 Q Mr. Lee, would you tell us what Echo is
19 seeking by its application here?

20 A Yes, sir. We plan to drilling a 10,500
21 feet re-entry well to test the Atoka sections in the S.R.R.
22 Field.

23 This original field is produced from the
24 Devonian and the Pennsylvanian. The Devonian, we do not
25 plan to go down to Devonian because Devonian we believe has
already been deplete or if it was to have any oil, it would
be very little.

Actually the last well produced from De-

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2 vonian, the last report is December, 1983. There is no any
3 Devonian, Pennsylvanian oil ever produced from this field
4 after December, 1983.

5 And the reason we plan to test Atoka in
6 this general area because first, in the original studies the
7 Atoka sandstone is kind of like a shoreline deposit from the
8 northeast going to the southwest, and the (not understood)
9 on the right structures and the right environment.

10 (Not understood) things is the Atoka sec-
11 tions in all the wells appear in the S.R.R. Fields. They
12 have three or four wells you can see on the exhibit that
13 have DST datas.

14 The best DST data is in 1954 Amerada Hess
15 drilling well to test Devonian - Pennsylvanian. This well,
16 they test, have the Atoka section open 4 hour and 25
17 minutes, gas to surface, 6 minutes at 8.6 million cubic feet
18 of gas per day, plus they have distillate in 13 minutes, but
19 they never try to complete in the Atoka sections.

20 They go ahead, plug well back to the
21 Pennsylvanian.

22 Also to the west you have another well
23 also showing very good test in Atoka sections. Thusly, my
24 belief if we can open these new fields we shall have pretty
25 good Atoka chance of producers over here.

And then this prospect I call as a wild-
cat. The reason is that the closest Atoka wells in the sand
interval will be down about one and a half mile to the

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southeast.

Then to the west you have another Yates Well. That well is way over one-half mile, too. That well finish in 1982. Is Yates Buffalo Willow Well but right now is shut in; no pipeline yet.

MR. STOGNER: Please repeat that again. I didn't catch that. I'm sorry.

A What part do you want me to --

MR. EZZELL: The Yates Well, the well to the west.

A Yates was No. 1 Buffalo Willow, W-I-L-L-O-W. They finish in 1982, beginning '82. They still not produce yet.

We contact with Yates. They still don't have any pipeline piped to their well. They wait on pipeline and they produce same interval in the Atoka sections.

And also I have the document from the New Mexico Oil and Gas Conservation Commission to show the well we try to re-enter is very good chance. The original drilling to 9490 feet. They never attempted the Atoka and the hole is in pretty good shape. Later on we will ask our engineer explain to you.

We plan to re-enter that well, then go down another 1000 feet or to top of the Mississippi lime so we can sufficiently test Atoka sections.

Q You say you have classified this as a wildcat.

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A Yes, sir.

Q What do you think are the risks involved both in your originally proposed re-entry and if the re-entry is unsuccessful on the drilling of a -- of a well on this prospect?

A Okay. The reason we want re-entry this well because the economic reasons. You can save a lot of money with re-entry that well and also if my structures, my data is right, the re-entry well has possible good as to drill another well to offset old well, they have very good shows. The two reasons led me believe to re-entry the well would be the first and very good try.

Q Do you feel that the risk involved in this prospect is sufficient to warrant the 200 percent risk penalty as provided by the New Mexico statutes for compulsory pooling?

A Yes, sir. First reason is I believe lease is well had, I just explained to you gentlemen, and second thing is for a gas show in that well. I have logs and micrologs showing very good permeabilities and should produce and very accurate DST data and very good DST data in 1954, and I think the risk is kind of high here.

Q Would you without going into a great amount of detail explain to the Commission the documents and maps that are in the packet that we have submitted as Exhibit One?

A Yes, sir. The first (not understood) is

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2 just very brief general to let everybody know where is our
3 lease, how many acres we have, the location is what I choose
4 to tell why we choose there and how we going to do it.

5 The third part is Atoka stratigraphy.
6 That's a regional study, the first page, and the Atoka stra-
7 tigraphy discussions for the regional studies how the Atoka
8 section have been deposited, and why I believe the Atoka
9 should produce over there. That's the second page.

10 That second page also you can see is
11 structures, to discuss the structures from top of the sand,
12 this goes to the Pennsylvanian, goes through the Atoka sec-
13 tions, goes through the Mississippi, and the Devonian.

14 That's why we don't want to go to the De-
15 vonian, because explained there are the deplete, the reason
16 why we want to test the Atoka in that general area.

17 The last page is the geology to discuss
18 the proposed re-entry well, approximate shows they have and
19 everything.

20 And then the next page is we have DST
21 data in there showing all the wells, the DST data, interval
22 in the Atoka sections.

23 Then we also have a regional map to dis-
24 cuss why the Atoka sections will produce. It's on the right
25 trend for the Atoka sections.

Then the next map you can see a lot of
different colors. Each color represents a different forma-
tions they produce from and why I think it is a wildcat be

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cause closest production is one-half mile away.

Then next page is structure top of San Andres "Pi" marker.

Then the next one I have underneath is the top of the Pennsylvanian structure; then the top of the Canyon; then top of the Strawn, Atoka, and the Devonian.

Then also I have two copies from New Mexico Oil Conservation Commission plugging data.

And then last folder is the two cross sections showing that in the general area that the Atoka sections is continuous. The sand stringer over there on northwest, north/south and the east/west.

MR. EZZELL: Mr. Examiner, Mr. Lee is prepared to introduce detailed testimony on the geology and the risks involved in this prospect.

Inasmuch as we are unopposed, it might be a waste of the Commission's time, but we are prepared to introduce that testimony if you'd like to hear it.

MR. PEARCE: Mr. Ezzell summaries of the information which Mr. Lee would present is contained in Exhibit One as you've presented to us?

MR. EZZELL: Yes, sir, it is.

MR. STOGNER: I don't think the detailed geology will be necessary. If it's all presented in here that should be satisfactory.

Q Mr. Lee, were the items that we have just

1
2 gone over, the geologic maps and the summaries and the cross
3 sections, contained in this folder which we've submitted as
4 Exhibit One, were they prepared by you or under your direc-
5 tion?

6 A Yes, they were prepared by me only except
7 for three parts. One is the how to re-entry that well and
8 the two AFE's is in here.

9 Q They were prepared by an engineer --

10 A Yes, sir.

11 Q -- who will be testifying next?

12 A Yes, sir.

13 Q All right.

14 MR. EZZELL: At this time we
15 would like to introduce Exhibit One.

16 MR. STOGNER: Exhibit one will
17 be admitted into evidence.

18 MR. EZZELL: Okay.

19 MR. STOGNER: Mr. Ezzell, will
20 the AFE be gone over by the next witness?

21 MR. EZZELL: Yes.

22 MR. STOGNER: All right. I
23 have no further questions of Mr. Lee.

24 Are there any other questions
25 of this witness? If not, he may be excused.

A Thank you, sir.

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HARRY TOM HUNNEWELL,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. EZZELL:

Q Would you state your name and employer and capacity in which you're employed?

A My name is Harry Tom Hunnewell. That's spelled H-U-N-N-E-W-E-L-L.

Q And by whom you're employed and in what capacity?

A I'm employed by Echo Production as engineer and Executive Vice President of the company.

Q And have you testified before the New Mexico Oil Conservation Division before and had your qualifications as an engineer accepted?

A Yes, sir.

MR. EZZELL: We tender Mr. Hunnewell as a qualified expert in the field of engineering.

MR. STOGNER: He is so qualified.

Q Would you briefly state the procedures you propose to follow in this prospect if this application is successful?

A Yes, sir. What we plan to do is to attempt to re-enter the old Amerada Petroleum Company's "FE"

1
2 Chartier Well No. 1 to -- which was drilled to a total depth
3 of 9490 feet, and drill it deeper to 10,500 foot in order to
4 test the Atoka section.

5 This should put us into the top of the
6 Mississippian formation.

7 Q Okay.

8 A And this will allow us to either run the
9 drill stem tests, logs, or what have you over this section
10 to determine if it is productive of oil or gas.

11 Q Why have you all elected to re-enter the
12 old Amerada well rather than initially drilling a new well?

13 A If you will refer to the AFE's presented,
14 to re-enter --

15 Q Started on page five, six, seven, eight,
16 and nine.

17 MR. STOGNER: Of Exhibit One?

18 MR. EZZELL: Of Exhibit one.

19 A To re-enter the old Amerada well to the
20 point of where we can test the Atoka formation is shown to
21 cost an estimated \$178,700.

22 Q To casing point for re-entry.

23 A That's right, versus the drilling of a
24 new well would cost \$319,200.

25 One thing that is not shown on the AFE is
that in the procedure that we plan to re-enter this, Mr. Ez-
zell, would it helpful if I presented a schematic drawing of
--

1
2 MR. STOGNER: Yes, that would
3 help me very much.

4 Q Go ahead, Mr. Hunnewell.

5 A Okay. What we plan to do, as shown on
6 the schematic drawing is the fact that 13-3/8ths inch casing
7 was set and cemented with 275 sacks at 320 feet and that 8-
8 5/8ths casing was set at 5300 foot and cemented with 1500
9 sacks originally.

10 When the well was abandoned the 8-5/8ths
11 was shot off at 1155 feet and the -- that portion of the
12 casing removed.

13 What we plan to do is to move in a work-
14 over unit, a pulling machinewith a power swivel and mud
15 pump, drill out the plug in the top of the surface pipe and
16 wash down to the top of the 8-5/8ths casing, at which time
17 we'll run an impression block and attempt to tie back into
18 the 8-5/8ths casing by using either a casing bow or a die
19 nipple.

20 In doing this the monies expended will
21 not be very great. We'll know within a short period of time
22 whether or not we can re-enter this well successfully and it
23 is estimated that it would cost approximately \$20- to
24 \$30,000 to get to this point.

25 At this point we can make a decision as
to whether to go ahead with our efforts here or to move over
and drill a new well.

Q So it will only cost you an estimated

1
2 \$20- or \$30,000 to determine whether this hole can be suc-
3 cessfully re-entered.

4 A Yes, sir.

5 Q And if -- if you cannot successfully re-
6 enter the Amerada Chartier No. 1, what -- what do you pro-
7 pose to do?

8 A Then we would move over to the most opti-
9 mum geological position, which is moving to the west, and
10 drill a new hole.

11 Q Okay, and you've also submitted the AFE's
12 for the new hole if that is --

13 A That is correct.

14 Q -- determined to be necessary?

15 A Yes, sir. And one other thing, in plug-
16 ging this older hole there was two cement plugs set, one at
17 around 8500 foot. It is shown on the plugging stuff that
18 was submitted to the Commission.

19 And, let's see, one of them was at 8054
20 to 8200 foot and the other one at 5188 to 5300 foot, and
21 these should be relatively easy to drill out and where we
22 could get back to bottom location.

23 Q So what --

24 A The trick of the thing is to get tied
25 back onto the 8-5/8ths and get back in.

Q So from the information you have on the
casing program of the existing well that you propose to re-
enter, combined with the plugging information that was filed

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with the Commission, you have every expectation of being able to successfully re-enter this well.

A Yes, sir, we sure do.

Q Was this schematic that we've marked as Applicant's Exhibit Number Two prepared by you?

A It was.

MR. EZZELL: We'd like to offer this as Applicant's Exhibit Number Two.

Q We heard testimony that certain of the mineral owners in the area have elected to participate in the drilling of these -- in this re-entry attempt and the drilling of the new well if the re-entry is unsuccessful.

Have they objected to the AFE's that have been submitted?

A Not to my knowledge.

Q In your opinion are the amounts represented on the AFE's, both for the re-entry and the drilling of the new well, if necessary, reasonable in all respects?

A Yes, sir.

Q Does Echo Production seek to be named operator --

A Yes, sir.

Q -- of this prospect? Are you able to tell us at this time what you propose to charge for supervision and overhead costs?

A The operating agreement which we have submitted shows that we will charge \$250 per well per month.

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Q As a producing well rate?

A Producing well rate.

Q And what about your drilling well rate?

A And a \$3000 per well per month for a drilling well rate.

Q And you've received no objections so far to those amounts?

A Not to my knowledge.

Q And in your opinion are those amounts, \$250 for the producing well rate and \$3000 per month for the drilling well rate, are those reasonable and within industry standards?

A They're below industry averages, sir.

Q In your opinion will the approval of this application be in the interest of conservation and the prevention of waste and the protection of correlative rights?

A It definitely will be, sir.

MR. EZZELL: I have no other questions of this witness.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Hunnewell, if you successfully tie back into the 8-5/8ths inch casing, what do you propose to do about the 5-1/2 inch casing, which I show to be cut off at 4150 feet?

A I don't believe that there was any 5-1/2

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inch casing.

Q I'm sorry, Mr. Hunnewell, I was -- just been informed I was looking at the plugging -- this Form C-103 for the No. 2 Well.

A Right.

Q So there was no 5-1/2 inch run.

A That's right.

Q Okay.

A You scared me, sir.

MR. STOGNER: I have no further questions of this witness at this time.

Are there any other questions of Mr. Hunnewell? If not, he may be excused.

A Thank you, sir.

MR. PEARCE: Mr. Ezzell, let me try to clear something up and the questions may appropriately be direct -- more directly for Mr. Lee or Mr. Hunnewell.

As I understand the proposal, if it is not possible to re-enter the Chartier No. 1, you're proposing to drill a well 660/660 from the north and west and my understanding is that's an unorthodox location.

It seems to me that if we get some evidence in our record now, it may save your client some time just by going ahead and readvertising that case.

It's up to you. You can let me ask Mr. Lee a couple of questions.

MR. EZZELL: Certainly.

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HEN-CHEN LEE,

being recalled and having been previously sworn, testified as follows, to-wit:

CROSS EXAMINATION

BY MR. PEARCE:

Q Thank you, Mr. Lee.

It is my understanding from your presentation earlier, that if it is not possible to re-enter the Amerada Petroleum Chartier No. 1 that you propose to drill a new well located 660 feet from the north and west lines of Section 23 --

A Yes, sir.

Q -- is this correct, sir?

A Yes, sir.

Q It is also my understanding, Mr. Lee, that that is an unorthodox location.

Could you briefly review the structure maps of the tops and indicate which of those structure maps indicates to you the necessity of moving that well to the unorthodox location?

A Yes, sir. On the structure map showing the Linam prospect, the Lea County, New Mexico, structure map on top of the Atoka.

MR. STOGNER: What page number is that?

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A Sir, this is printed on --

MR. EZZELL: It's unnumbered
but it is the third from last --

A Could I approach the --

MR. EZZELL: -- map.

A We can see from the Atoka on that map
that Amerada Chartier No. 2 Well is 660/660 from the north
and west line. That well set in the structure about -5850.

Our re-entry well will be equal flat or
left be lower than that well, so if we can not go back to my
opinions is the best move to the west close that well.

The other reason is that well have ex-
tremely good DST data, so if we can offset well with a new
well to Atoka our (not understood) will be very, very high,
and I acknowledge it is not a legal location for that one,
and we discussed it in the office, too. We would file rul-
ing for the illegal locations.

Q Excuse me, you said the location of the
Chartier No. 2 was also 660/660 so you would get as close to
that --

A No, we would move a little bit to the
east from that well --

Q As little as possible.

A Yes. I don't want too close that well.

Q All right, thank you, sir.

MR. PEARCE: Mr. Ezzell, I
think there are several ways that we can handle this prob-

1 lem.

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3 I think if the Examiner ap-
4 proves this application he can enter an order approving an
5 unorthodox location after this matter is readvertised and
6 that would of necessity, I think, delay the entry of an or-
7 der by about a month so that we could readvertise that.

8 In the alternative, if Mr. Lee
9 and Mr. Hunnewell feel sufficiently confident, we can go
10 ahead on the basis of the record we have before us today and
11 consider the re-entry and enter an order on that without the
12 delay, but that would of necessity require --

13 MR. EZZELL: A second hearing.

14 MR. PEARCE: Yes.

15 MR. EZZELL: That was our plan,
16 yes, sir.

17 MR. PEARCE: That's what you
18 prefer to do.

19 Thank you, Mr. Lee.

20 A Yes, sir.

21 MR. EZZELL: Mr. Examiner, we
22 have nothing further on this application at this time.

23 MR. STOGNER: Mr. Ezzell, to
24 clarify, go back and -- or in Exhibit Number Two and this
25 exhibit that you're about to hand me shall be marked Exhibit
Number Three --

MR. EZZELL: Right.

MR. STOGNER: -- was the infor-

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2 mation requested of Mr. Hendrickson, we did not admit these
3 two exhibits into evidence. I shall at this time admit Ex-
4 hibits Two --

5 MR. EZZELL: Okay.

6 MR. STOGNER: -- and three into
7 evidence.

8 I have no further questions of
9 any of these witnesses at this time.

10 Do you have anything further in
11 this case?

12 MR. EZZELL: No, sir.

13 MR. STOGNER: Does anybody else
14 have any questions or anything else in Case Number 8165 this
15 morning?

16 If not, this case will be taken
17 under advisement.

18 (Hearing concluded.)
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C E R T I F I C A T E

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

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete and true transcript of the proceedings in the Examiner hearing of case No. 8165, heard by me on May 23 1984.
Michael C. Stegall, Examiner
Oil Conservation Division