

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

22 May 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of HCW Exploration, Inc. CASE
for compulsory pooling and a non- 8604
standard gas proration unit, Lea
County, New Mexico.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
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. STOGNER: Call next Case
8604.

MR. TAYLOR: Application of HCW
Exploration, Inc., for compulsory pooling and a nonstandard
gas proration unit, Lea County.

Applicant has requested this
case be continued.

MR. STOGNER: Case Number 8604
will be continued to the Examiner's Hearing scheduled for
June 5th, 1985.

MR. KELLAHIN: Mr. Examiner, I
believe that HCW Exploration case was to be consolidated
with one of Mr. Hartman's cases, and both of those cases are
set for Commission hearing in July.

MR. STOGNER: Thank you, Mr.
Kellahin.

An examiner -- the Commission
hearing has not been scheduled as of yet for July and
hopefully a date will be set by the time this application is
recalled on June 5th, 1985.

(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 case bearing file number of C. O. D. 8604.
heard by me on 22 May 1985.

Michael S. [Signature] Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

5 June 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of HCW Exploration, Inc. CASE
for compulsory pooling and a non- 8604
standard gas proration unit, Lea
County, New Mexico.

BEFORE: Gilbert P. Quintana Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
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. QUINTANA: We'll call next
Case 8604.

MS. LUNDERMAN: Application of
HCW Exploration, Inc. for compulsory pooling and a
nonstandard gas proration unit, Lea County, New Mexico.

Mr. Hearing Examiner, this case
will be continued -- or a motion has been made to continue
the case until a Commission Hearing July 10th.

MR. QUINTANA: Case 8604 will
be so continued to a Commission Hearing on July 10th, 1985.

(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 correct transcript of the proceedings in the Examination of Case No. 8604 heard by me on June 5, 1985.
Gilbert P. Quintana, Examiner
Oil Conservation Division

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

10 July 1985

COMMISSION HEARING

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7 IN THE MATTER OF:

8 Application of HCW Exploration, Inc. CASE
9 for compulsory pooling and a non- 8604
standard proration unit, Lea County,
New Mexico.

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11 BEFORE: Richard L. Stamets, Chairman
Ed Kelley, Commissioner

12
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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 OCD: Jeff Taylor
20 Attorney at Law
Legal Counsel to the Division
21 Oil Conservation Division
State Land Office Bldg.
22 Santa Fe, New Mexico 87501

23 For the Applicant: Karen Aubrey
24 Attorney at Law
KELLAHIN & KELLAHIN
25 P. O. Box 2265
Santa Fe, New Mexico 87501

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MR. STAMETS: Call next Case 8604, application of HCW Exploration, Inc., for compulsory pooling and a nonstandard gas proration unit, Lea County, New Mexico.

Ms. Aubrey?

MS. AUBREY: Mr. Stamets, Karen Aubrey, Kellahin and Kellahin, appearing for HCW Exploration.

We would request that this case and the succeeding two cases be continued to the Examiner Hearing on the 18th of September, 1985.

MR. CARR: May it please the Commission, I am William F. Carr with the Campbell Law Firm.

We represent Doyle Hartman in the following two cases and we concur with the request of Ms. Aubrey.

MR. STAMETS: Let me call those two cases and then we'll continue all three to the September 18th Examiner Hearing.

Case 8605 is the application of Doyle Hartman to rescind Division Order R-3690, Lea County, New Mexico.

Case 8594 is application of Doyle Hartman for a compulsory pooling, a nonstandard proration unit, and unorthodox location, Lea County, New Mexico.

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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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

18 September 1985

COMMISSION HEARING

IN THE MATTER OF:

Application of HCW Exploration,
Inc., for compulsory pooling and
a nonstandard gas proration unit,
Lea County, New Mexico.

CASE
8604

BEFORE: Richard L. Stamets, Chairman
Ed Kelley, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STAMETS: Call next Case
8604.

MR. TAYLOR: The application of
HCW Exploration, Inc., for compulsory pooling and a
nonstandard gas proration unit, Lea County, New Mexico.

Applicant has requested that
this case be continued.

MR. STAMETS: Is that to the
October 17th hearing?

It 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 (Commission) 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

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 17 October 1985

7 COMMISSION HEARING

8 IN THE MATTER OF:

9 Application of HCW Exploration, Inc. CASE
10 for compulsory pooling and a non- 8604
11 standard gas proration unit, Lea
12 County, New Mexico.

13 BEFORE: Richard L. Stamets, Chairman
14 Ed Kelley, Commissioner

15 TRANSCRIPT OF HEARING

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

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19 For the Oil Conservation Division: Jeff Taylor
20 Legal Counsel to the Division
21 Oil Conservation Division
22 State Land Office Bldg.
23 Santa Fe, New Mexico 87501

24 For the Applicant: W. Thomas Kellahin
25 Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

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I N D E X

DAVID T. SITES

Direct Examination by Mr. Kellahin 3

E X H I B I T S

HCW Exhibit One, Production Map 4
HCW Exhibit Two, Structure Map 7
HCW Exhibit Three, Correspondence 10
HCW Exhibit Four, Operating Agreement 14

1907 - 1908

1909 - 1910

1911 - 1912
1913 - 1914
1915 - 1916
1917 - 1918

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2 MR. STAMETS: We'll call next
3 Case Number 8604.

4 MR. TAYLOR: Application of
5 HCW Exploration, Incorporated, for compulsory pooling and a
6 nonstandard gas proration unit, Lea County, New Mexico.

7 MR. KELLAHIN: If the Examiner
8 please, if the Commission please, I'm Tom Kellahin appearing
9 on behalf of the applicant, and I have one witness to be
10 sworn.

11 (Witness sworn.)

12 DAVID T. SITES,
13 being called as a witness and being duly sworn upon his
14 oath, testified as follows, to-wit:

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Mr. Sites, for the record would you
19 please state your name and occupation?

20 A David T. Sites. I'm a production geolo-
21 gist.

22 Q Mr. Sites, have you previously testified
23 before the Oil Conservation Division of New Mexico as a pet-
24
25

MEMORANDUM FOR THE DIRECTOR

DATE: 10/20/68

FROM: SAC, NEW YORK

SUBJECT: [REDACTED]

Reference is made to New York airtel dated 10/15/68.

Enclosed for the Bureau are two copies of a letterhead memorandum.

The letterhead memorandum contains information regarding [REDACTED]

It is noted that [REDACTED]

Very truly yours,

[REDACTED]

[REDACTED]

Enclosure

[REDACTED]

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roleum geologist?

A Yes, I have.

Q Would you describe to the Commission when and where you obtained your degree in geology?

A I was -- I have a Bachelor's degree in geology from the University of Texas in the Permian Basin; received it in 1980.

Q Subsequent to your graduation have you been involved in geology in Lea County, New Mexico?

Q Yes.

Q And have you made a study of the geology surrounding this application by your company, HCW?

A Yes, I have.

MR. KELLAHIN: We tender Mr. Sites as an expert petroleum geologist.

MR. STAMETS: He is considered qualified.

Q Mr. Sites, let me commence my questions to you by showing you what is marked as Exhibit Number One. It is a production data map. Would you first of all identify for us the proposed 160-acre nonstandard proration unit for the subject well?

A Yes, it will be -- the 160-acre proration will be made up of the southeast quarter of Section 27, Township 23 South, Range 36 East.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that proper record-keeping is essential for transparency and accountability, particularly in the context of public administration and financial management.

2. The second part of the document outlines the various methods and tools used to collect, analyze, and report data. It highlights the need for standardized procedures and the use of modern technology to ensure the accuracy and reliability of the information gathered.

3. The third part of the document focuses on the role of the audit committee and the external auditors in providing independent assessments of the organization's financial health and operational efficiency. It stresses the importance of their findings and recommendations in guiding the organization's strategic decisions.

4. The fourth part of the document discusses the challenges and risks associated with the data collection and reporting process. It identifies common pitfalls such as data manipulation, incomplete reporting, and lack of transparency, and offers strategies to mitigate these risks.

5. The fifth part of the document provides a detailed overview of the reporting requirements and standards that must be followed. It outlines the format, content, and frequency of reports, as well as the responsibilities of the reporting entities.

6. The sixth part of the document discusses the importance of communication and collaboration between different departments and stakeholders. It emphasizes that effective communication is key to ensuring that all parties are aware of their roles and responsibilities in the data collection and reporting process.

7. The seventh part of the document provides a summary of the key findings and recommendations. It highlights the areas where the organization is performing well and the areas where improvement is needed. It also provides a clear action plan for addressing the identified issues.

8. The eighth part of the document discusses the future outlook and the need for continuous improvement. It emphasizes that the data collection and reporting process is an ongoing one that requires regular review and updates to stay relevant and effective.

9. The ninth part of the document provides a list of references and sources used in the document. It includes books, articles, and other documents that provide additional information on the topics discussed.

10. The tenth part of the document provides a list of appendices and additional information. It includes detailed data tables, charts, and other supporting documents that provide further context and detail for the findings and recommendations.

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The proposed location is -- of the George Etz No. 6 is signified by the red dot 660 from the south, 660 from the east line.

Q And what is the formation to which you'll drill this well and hopefully obtain production?

A The base -- the well will be TD'ed in the Seven Rivers formation.

Q What, in your opinion is the most likely formation for which you will obtain production?

A Yates and Seven Rivers.

Q Would you identify for the Commission the other wells that are located in the southeast quarter of the section?

A Okay. There's not -- there's two wells. There's the Skelly Com Best No. 1, which was drilled in 1936. There's no data on that well, but it was drilled down into the Langlie Mattix and was plugged and abandoned.

The George Etz No. 4 is located in the southeast quarter. It was completed as a Jalmat Gas well. The last production was in 1979 and the well was plugged and abandoned in 1984.

Q In addition to seeking approval of a non-standard proration unit, Mr. Sites, are you also seeking to pool through a compulsory pooling order, certain working interest owners in this proration unit?

The first part of the document discusses the importance of maintaining accurate records for all transactions. It emphasizes that proper record-keeping is essential for financial transparency and accountability.

Furthermore, it highlights the need for regular audits to ensure that all financial data is correctly recorded and reported. This process helps in identifying any discrepancies or errors early on.

In addition, the document outlines the various methods used for data collection and analysis. It mentions that both manual and automated systems are employed to gather and process financial information.

It also notes that the data is analyzed to identify trends and patterns, which are then used to make informed decisions. This analytical approach is crucial for strategic planning and budgeting.

The document further details the reporting requirements and the format in which the data is presented. It states that reports are generated in a clear and concise manner to facilitate understanding.

Moreover, it discusses the role of technology in modern financial management. The use of software solutions is highlighted as a key factor in improving efficiency and accuracy.

Finally, the document concludes by reiterating the significance of a robust financial reporting system. It suggests that such a system is vital for the long-term success and stability of any organization.

The document also provides a list of references and sources used in its preparation. These references include various financial textbooks, industry reports, and academic journals.

In conclusion, this document serves as a comprehensive guide for anyone involved in financial management. It offers practical insights and best practices to ensure that financial operations are conducted with the highest level of integrity and precision.

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A That is correct.

Q Can you identify for the Commission the individuals or companies to which you seek to apply a forced pooling order?

A Doyle Hartman and Barton Brothers Royalty.

Q Can you approximate for us, Mr. Sites, what percentage of the working interest ownership in the 160 acres is controlled by HCW or has agreed to participate with HCW in the drilling of the well?

A Approximately 90 percent.

Q And the balance of that interest, approximately 10 percent, would relate to the Barton/Doyle Hartman interest?

A Correct.

Q All right. Would you describe for the Commission what has been the producing capacities of the other relative wells in the area so that you may determine for us what, in your opinion, is the risk that ought to be applied to this well in the forced pooling application?

A Our proposed location is offset in all directions by four Jalmat gas wells. The George Etz No. 4 in the southeast quarter of 27 had a cumulative production of 17.1 billion cubic feet.

The Conoco Stevens "A" No. 2, which is

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located in the northeast quarter of Section 34, had a cumulative production of 5.7 billion cubic feet.

The ARCO Com Best in the northwest quarter of Section 35, has cumulative totals of 844 million cubic feet.

In Section 26 our proposed location is offset by the Conoco Linn "B" which is No. 4, which has produced 3.2 billion cubic feet.

The northwest quarter of Section 36, there's a Jalmat gas well, the Conoco Linn "B" No. 3, which has produced 5.3 billion cubic feet.

Current production rates in the area certainly have an impact upon the economics of this well. Currently the southwest offset, the Conoco Stevens "A" is currently making approximately 100 MCF per month.

The ARCO Com Best No. 4, it's currently making about 5 million cubic feet per month.

The Conoco Linn "B" No. 4 in the southwest quarter of Section 26 is currently making 2-to-300 MCF per month, and of course, the George Etz No. 4 is plugged and abandoned.

Q Would you now turn to Exhibit Number Two, Mr. Sites, which is your structure map on top of the Yates?

A Correct.

Q All right, sir, would you identify that

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exhibit?

A That's a structure map contoured on the top of the Yates. The contour interval is 50 feet. It shows the structure as it exists over the south half in the Yates formation.

The George -- it also shows the proposed location of George Etz No. 6 approximately flat to the George Etz No. 4, at a subsea depth of +292 feet.

Q What, if any, structural significance is there to you as a geologist in assessing the risk to be applied against the nonconsenting owners in the forced pooling case?

A I would say that the structural advantage doesn't play a great role in it. The higher -- the more reserves produced out of the southeast quarter by the George Etz No. 4 is -- increases the risk of drilling a marginal or uneconomic well in the same southeast quarter.

Q In looking at the wells that offset your proposed location, approximately how long have those wells been in existence as producers?

A They've been producing since the 1940's and fifties; late forties and fifties.

The ARCO Com Best, I do not know what it -- how long it's been on but it is a fairly -- it's less old than both the Conoco Linn "B" and the Conoco Stevens "A"

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent data collection procedures and the use of advanced analytical techniques to derive meaningful insights from the data.

3. The third part of the document focuses on the implementation of data-driven strategies. It discusses how the insights gained from data analysis can be used to inform decision-making and optimize organizational performance. It also addresses the challenges associated with data integration and the importance of cross-departmental collaboration.

4. The fourth part of the document discusses the role of technology in data management and analysis. It explores the use of cloud-based solutions, artificial intelligence, and machine learning to enhance data processing capabilities and improve the accuracy of insights.

5. The fifth part of the document addresses the ethical considerations surrounding data collection and analysis. It emphasizes the importance of protecting individual privacy and ensuring that data is used responsibly and in compliance with relevant regulations.

6. The final part of the document provides a summary of the key findings and recommendations. It reiterates the importance of a data-driven approach and offers practical advice on how to effectively implement data-driven strategies in an organization.

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2 or the George Etz No. 4.

3 The George Etz No. 4 was completed in
4 1949.

5 Q The Commission is authorized by statute
6 to impose a risk factor penalty not in excess of 200 percent
7 to apply for the risk involved in drilling this type of
8 well.

9 Do you have a recommendation to the Com-
10 mission as to what that percentage risk ought to be in terms
11 of writing this order?

12 A I would recommend 200 percent.

13 Q Can you describe for us the reasons upon
14 which you base that opinion?

15 A If one would draw -- take the northeast
16 quarter of 34, the southeast quarter of 27, the southwest
17 quarter of 26, and the northwest quarter of 35, those four
18 wells through that area have produced a cumulative total of
19 16.8 billion cubic feet of gas.

20 The risk, we feel, due to the presence of
21 that George Etz No. 4, which has produced by far the great-
22 est production of 7.1 billion cubic feet, and the fact that
23 we're drilling 660 from the south, 660 from the east and ap-
24 proximately 1046 feet from the 4, increases the risk of hav-
25 ing a marginal well and -- or an noneconomic well.

Q Let me direct your attention now, Mr.

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2 Sites, to what is marked as Exhibit Number Three, which is a
3 packet of correspondence.

4 Mr. Sites, have you or other representa-
5 tives of your company made an effort to form a voluntary
6 unit composed of all the working interest owners in the 160-
7 acre unit?

8 A Yes.

9 Q Would you describe for us without reading
10 the correspondence in detail, but describe for us generally
11 what has occurred in efforts on behalf of your company to
12 form a voluntary unit?

13 A We, after we received a letter from Mr.
14 Hartman saying that he acquired the leases and he had inten-
15 tions of drilling, our first thoughts on the matter, since
16 HCW operates two wells in the southwest quarter and then we
17 felt like -- we also had a well staked in the southwest
18 quarter, the George Etz No. 5 to be drilled as a Langlie
19 Mattix well, we felt the best course of action would be to
20 call a working interest owners meeting, find out what Mr.
21 Hartman planned on doing in the southwest -- southeast quar-
22 ter, and proceed about developing this south half in an or-
23 derly fashion.

24 So we directed a letter to him, the pres-
25 ident of our organization, Mr. James C. Brown, on April
15th, announcing that we would hold a working interest own-

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem.

2. The second step in the process of identifying a problem is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the underlying causes of the problem. Once the causes of the problem have been identified, the next step is to develop a plan to address the problem.

3. The third step in the process of identifying a problem is to develop a plan to address the problem. This involves identifying the actions that need to be taken to address the problem and determining the resources that will be needed to implement the plan. Once a plan has been developed, the next step is to implement the plan.

4. The fourth step in the process of identifying a problem is to implement the plan. This involves carrying out the actions that have been identified in the plan and monitoring the progress of the plan. Once the plan has been implemented, the next step is to evaluate the results of the plan.

5. The fifth step in the process of identifying a problem is to evaluate the results of the plan. This involves comparing the results of the plan to the original problem and determining whether the plan has been successful in addressing the problem. If the plan has not been successful, the next step is to identify the reasons for the failure and develop a new plan.

6. The sixth step in the process of identifying a problem is to identify the reasons for the failure of the plan. This involves identifying the factors that have contributed to the failure of the plan and determining the underlying causes of the failure. Once the reasons for the failure have been identified, the next step is to develop a new plan.

7. The seventh step in the process of identifying a problem is to develop a new plan. This involves identifying the actions that need to be taken to address the problem and determining the resources that will be needed to implement the plan. Once a new plan has been developed, the next step is to implement the plan.

8. The eighth step in the process of identifying a problem is to implement the new plan. This involves carrying out the actions that have been identified in the new plan and monitoring the progress of the new plan. Once the new plan has been implemented, the next step is to evaluate the results of the new plan.

9. The ninth step in the process of identifying a problem is to evaluate the results of the new plan. This involves comparing the results of the new plan to the original problem and determining whether the new plan has been successful in addressing the problem. If the new plan has not been successful, the next step is to identify the reasons for the failure and develop a new plan.

10. The tenth step in the process of identifying a problem is to identify the reasons for the failure of the new plan. This involves identifying the factors that have contributed to the failure of the new plan and determining the underlying causes of the failure. Once the reasons for the failure have been identified, the next step is to develop a new plan.

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2 ers and our meeting in our offices on April 23rd, 1985, and
3 invited him to attend.

4 We invited all working interest owners in
5 the south half to attend. This, they all -- all working in-
6 terest owners were present with the exception of Mr. Hartman
7 and in that meeting it was decided that the working interest
8 owners would like HCW to drill a well in the southeast quar-
9 ter as the George Etz No. 6.

10 So at that time I -- April 24th, I wrote
11 a letter to Mr. Hartman explaining to him what was decided
12 at that meeting and how we -- there was something on the or-
13 der of 90 percent of the working interest present at the
14 meeting, and relayed to him their desires for development of
15 this south half.

16 At that time I invited him, I explained
17 to him that we were going to drill the George Etz No. 6 at a
18 legal location 660 from south, 660 from east, dedicate the
19 southeast quarter of Section 27. I enclosed a copy of our
20 AFE and I also, in this letter I offered to allow him to
21 join with us or we would workout a farmout arrangement, an
22 equitable farmout arrangement.

23 At that time I also sent out letters to
24 various working interest owners telling them what I had done
25 and at that time we filed a compulsory pooling request.

Q Let me turn to the April 25th letter

The first part of the document is a list of names.

The second part is a list of dates.

The third part is a list of locations.

The fourth part is a list of events.

The fifth part is a list of people.

The sixth part is a list of organizations.

The seventh part is a list of institutions.

The eighth part is a list of departments.

The ninth part is a list of offices.

The tenth part is a list of positions.

The eleventh part is a list of titles.

The twelfth part is a list of ranks.

The thirteenth part is a list of grades.

The fourteenth part is a list of classes.

The fifteenth part is a list of levels.

The sixteenth part is a list of stages.

The seventeenth part is a list of phases.

The eighteenth part is a list of periods.

The nineteenth part is a list of eras.

The twentieth part is a list of epochs.

The twenty-first part is a list of ages.

The twenty-second part is a list of centuries.

The twenty-third part is a list of millenniums.

The twenty-fourth part is a list of eons.

The twenty-fifth part is a list of epochs.

The twenty-sixth part is a list of eras.

The twenty-seventh part is a list of ages.

The twenty-eighth part is a list of centuries.

The twenty-ninth part is a list of millenniums.

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2 that's later in the package and it's addressed to the Bargon
3 Brothers Land and Royalty Company. Do you have a copy of
4 that letter?

5 A Yes, I do.

6 Q What has been the efforts to obtain the
7 Barton Brothers voluntary participation in the well?

8 A I have, when I wrote those -- the Barton
9 Brothers this letter, explained to them that we were drill-
10 ing -- had intentions of drilling the George Etz No. 6, I
11 enclosed a copy of the AFE to them and they in turn sent a
12 letter back to me stating that they had joined Doyle Hartman
13 and had already signed an operating agreement, thanking me
14 for my AFE but they had already signed with Mr. Hartman.

15 Q Following the -- your letter to the Bar-
16 ton Brothers there is an AFE attached to Exhibit Number
17 Three. Is this the AFE that you've submitted to Mr. Hartman
18 and the other working intrest owners?

19 A Yes.

20 Q Is this an accurate and reasonable esti-
21 mate of well expenditures for the subject well, in your
22 opinion?

23 A Yes. What we did was use our R. W. Cow-
24 den C-9, which is a Jalmat gas well, and was drilled approx-
25 imately three years ago. We went back and saw what we --
HCW had spent on that well and how we had completed it, and

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we -- we made the AFE estimate from that.

Q Is this the AFE that was submitted to the other working interest owners?

A Yes, it was.

Q And is this the AFE that has been approved by the other working interest owners with the exception of Mr. Hartman and the Barton Brothers?

A That's correct.

Q Is this the AFE that you propose to submit to Mr. Hartman again subsequent to the pooling order?

A Yes.

Q Have you obtained, Mr. Sites, waivers from offsetting operators in the Jalmat for the proposed nonstandard proration unit?

A Yes. I've sent out those and obtained waivers from ARCO, Conoco, and El Paso Natural Gas, who are the offset operators.

Q And are those appended to Exhibit Three as the last three attachments to that exhibit?

A Yes.

Q Let me direct your attention at this time, Mr. Sites, to Exhibit Number Four. Would you identify Exhibit Number Four for us?

A It's an operating agreement, a model form operating agreement, which will apply to -- we will submit

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2 to Mr. Hartman and all the working interest owners in the
3 George Etz lease.

4 Q Attached to the operating agreement is a
5 COPAS schedule with some overhead rates in it. Would you
6 turn to those rates, please?

7 A Right.

8 Q Do you have a recommendation to the Exa-
9 miner as to the -- the Commission as to the overhead rates
10 that ought to be applied in this pooling order?

11 A Yes. Drilling rates will be \$250 per --
12 I mean \$2500 per month and a producing well rate of \$250 a
13 month.

14 Q How do these overhead rates compare to
15 similar wells in the area?

16 A They're -- I think they're in line with
17 all -- with other wells.

18 Q Are these the overhead rates that your
19 recommend to the Commission to adopt in this pooling order?

20 A Yes.

21 Q When do you propose to commence the well,
22 Mr. Sites?

23 A As soon as legally possible.

24 Q Were Exhibits One and Two, the geologic
25 exhibits, prepared by you or compiled under your direction
and supervision?

...the way the interest would be...

...the way the interest would be...

Attached to the end of the report...

...some overhead items, which will...

...the way the interest would be...

Yes. Detailed notes will be...

...the way the interest would be...

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A Yes.

Q And was the correspondence, Exhibit Number Three, and the proposed operating agreement represent true and accurate copies of correspondence and documents from the files of HCW that are under your control and direction?

A That's correct.

MR. KELLAHIN: We move the introduction of Exhibits One through Four.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAHIN: That concludes my examination of Mr. Sites.

MR. STAMETS: Any questions of the witness?

MR. TAYLOR: I didn't see here, did you give notice to -- I know, obviously Hartman knows about the hearing, but did you give notice of hearing?

A Yes, I did.

MR. TAYLOR: Is there a copy or something? Could you furnish us with a letter or something?

MR. KELLAHIN; Mr. Hartman's attorney was here and he was going to make a statement about this. Let me find out for you.

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2 MR. STAMETS: Mr. Kellahin, you
3 can furnish that information later.

4 MR. KELLAHIN: Thank you, Mr.
5 Chairman.

6 MR. STAMETS: The witness is
7 excused.

8 The Commission is going to ap-
9 prove the application, a 200 percent risk factor, a \$2500
10 drilling rate, \$250 production rate, and an order will be
11 forthcoming in written form when we get around to it.

12 If there is nothing further in
13 this case, the case is concluded.

14 (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 (Commission) 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

SECRET

CONFIDENTIAL

The following information was obtained from the records of the Federal Bureau of Investigation (FBI) and the Department of Justice (DOJ) regarding the activities of the Communist Party, USA, in the United States during the period from 1945 to 1954.

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