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I N D E X

DANIEL S. NUTTER

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Quintana	11

E X H I B I T S

Newkumet Exhibit One, Structure Map	5
Newkumet Exhibit Two, List	7
Newkumet Exhibit Three-A, Waiver	9
Newkumet Exhibit Three-B, Waiver	9

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MR. QUINTANA: We'll call next for Case 8701, the application of Wayne Newkumet for amendment to Division Order No. R-2874, as amended, Lea County, New Mexico.

MR. CARR: May it please the Examiner, my name is William F. Carr with the law firm Campbell and Black, P. A. of Santa Fe, appearing on behalf of Mr. Newkumet.

I have one witness who needs to be sworn.

MR. QUINTANA: Are there other appearances in Case 8701?

If not, Mr. Nutter, would you remain standing and be sworn in at this time?

(Witness sworn.)

MR. QUINTANA: Bear with me a second.

Okay, you may proceed.

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

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DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name and place
of residence?

A Dan Nutter, Santa Fe, New Mexico.

Q Mr. Nutter, by whom are you employed?

A I'm a consulting petroleum engineer in
Santa Fe and I'm employed in this particular case by Mr.
Wayne Newkumet.

Q Have you previously testified before this
Division and had your credentials as a petroleum engineer
accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application
filed in this case on behalf of Mr. Newkumet?

A Yes, I am.

Q Are you familiar with the subject area?

A Yes, I am.

MR. CARR: Are the witness'
qualifications acceptable?

MR. QUINTANA: Yes, they are.

Q Mr. Nutter, would you briefly state what
Mr. Newkumet is seeking in this case today?

A Yes. The High Plains Permo-Pennsylvanian

1 Pool in Township 14 South, Range 34 East, of Lea County, New
2 Mexico, is spaced by the Commission on 160 acres. The well
3 locations are specified in the order which authorized the
4 160-acre spacing to be wells must be located within 150 feet
5 of the center of either the northeast quarter or the south-
6 west quarter of the governmental quarter section upon which
7 they're located.

8 What we're seeking today is an amendment
9 of the order which authorized the 160-acre spacing, being No.
10 R-2874, to provide that the wells would not be required to
11 be drilled in the specific quarter quarter sections but in-
12 stead would be permitted to be drilled at any point on the
13 160-acres not nearer than 660 feet to the outer boundary of
14 the proration unit nor closer than 330 feet to any interior
15 40-acre line.

16 Q Would you now refer to what has been mar-
17 ked as Newkumet No. 1, identify this, and review it for Mr.
18 Quintana?

19 A Exhibit Number One is a structure map on
20 the top of the Saunders Limestone.

21 Saunders Limestone was originally the on-
22 ly formation to which this pool was dedicated. Subsequent
23 to the original vertical limits being in the Saunders Lime,
24 the pool was extended. It was changed from High Plains
25 Pennsylvanian to High Plains Permo-Pennsylvanian and the

1 Wolfcamp formation is now included.

2 However, this is a base map we're using
3 as most of the wells are completed in the Pennsylvanian for-
4 mation, although some of them are Wolfcamp wells, as well.

5 Outlined on this exhibit by yellow line
6 is the boundary at the present time of the High Plains Per-
7 mo-Pennsylvanian Pool. It shows the boundaries to be exten-
8 ding from Section 14 on the north down into Section 36 on
9 the south end of the pool.

10 Q Now what is Mr. Newkumet's ownership in-
11 terest in this pool?

12 A Mr. Newkumet's ownership in the pool is
13 designated by the rectangle which is marked kind of a cross
14 hatching effect, being the south half of Section 23, the
15 north half of Section 26, the southwest quarter of 24, and
16 the northwest quarter of Section 25 in Township 14 South,
17 Range 34 East.

18 Q Some of that acreage is within the pool;
19 others of it is within a mile of the pool boundaries.

20 A It's all within a mile of the pool boun-
21 dary. It's not in the pool itself.

22 Q This exhibit also shows the wells cur-
23 rently in the pool.

24 A That is correct.

25 Q Mr. Nutter, would you explain what the

1 pink dots on this plat indicate?

2 A The pink dots would be possible locations
3 that could be drilled providing that the pool rules would be
4 amended as proposed today. Each of these pink dots would be
5 an illegal location insofar as the present rules are con-
6 cerned because they're not in either the northeast quarter
7 or the southwest quarter of that quarter section, but they
8 are possible additional locations which could be drilled in
9 the event the pool rules were amended.

10 Q Now, in the southeast of Section 23 is a
11 well that is indicated, there's an arrow to it indicating
12 that it's a proposed location. What bearing, if any, does
13 that have on this hearing here today?

14 A That has no bearing whatsoever on the
15 hearing today. It is the first well that Mr. Newkumet pro-
16 poses to drill and it is off pattern according to today's
17 rules, and therefore there is a pink dot at that location.

18 Q Would you now refer to what has been mar-
19 ked as Newkumet Exhibit Number Two?

20 A Is a list of the 160-acre pools in the
21 Hobbs District of southeast New Mexico. Although this exhi-
22 bit states that it's southeast New Mexico, it is limited to
23 the pools that are in the Hobbs District, so the exhibit
24 should be corrected to that extent.

25 There are nineteen pools listed on the

1 exhibit.

2 Also shown are the required well loca-
3 tions for each of these 160-acre pools. There are three
4 principal types of location specified on this exhibit; the
5 wells that are required to be drilled in either a northeast
6 or the southwest quarter, as a specified 40-acre tract;
7 wells that would be required to be drilled in any 40-acre
8 tract in the 160 but located within 150 feet of the center
9 of a governmental quarter quarter section or lot; and also
10 those pools that are listed that the wells can be drilled as
11 we propose today, not nearer than 660 to the outer boundary
12 nor 330 to an interior 40-acre line.

13 So those are the three types of spacing
14 patterns that are used for the 160-acre pools in Lea County.

15 Q Now two of the pools are indicated by a
16 red mark. What are those?

17 A Of the nineteen pools in the Hobbs Dis-
18 trict only two of them have the specified 40-acre tract de-
19 signated as being the drilling site. That would be the High
20 Plains Permo-Pennsylvanian Pool and the No Nombre Upper Penn
21 Pool.

22 All the rest have the flexibility that
23 we're seeking today.

24 Q Mr. Nutter, has Mr. Newkumet attempted to
25 obtain waivers from other interest owners in the area?

1 A Yes, we have.

2 Q And would you now refer to what has been
3 marked for identification as Newkumet Exhibits Three-A and
4 Three-B and identify those, please?

5 A Exhibit Number Three-A is the waiver of
6 objection and actually a support for the application of Mr.
7 Newkumet in this case from Joseph Kelly, who is President of
8 Elk Oil Company.

9 Elk Oil Company operates three wells in
10 the pool.

11 Exhibit Number Three-B is a letter of
12 support from the Harvey E. Yates Company. Harvey Yates is
13 an owner of interest in the pool.

14 Q Have -- has Mr. Newkumet obtained addi-
15 tional waivers?

16 A Yes, we have. We have obtained waivers
17 from the following operators in the pool: MGF, Samedan,
18 Harper, Sun, Clements, and Amerind, who was the applicant in
19 a previous case this morning.

20 Q Can copies of those waivers be submitted
21 following the hearing to Mr. Quintana?

22 A Those letters were mailed by Federal Ex-
23 press from Midland last night. They were directed to the
24 Commission and should arrive this morning, I would imagine,
25 but we will have those waivers at any rate as soon as pos-

1 sible.

2 MR. QUINTANA: I think I have
3 copies of those waivers at this time.

4 A Great. You should have MGF, Samedan,
5 Harper, Sun, Clements, and probably the Harvey Yates and Elk
6 waivers, as well.

7 MR. QUINTANA: At this time I
8 have Harper, MGF, Sun, and Samedan.

9 A You don't have one from Clements yet?

10 MR. QUINTANA: No.

11 A Well, that's coming also.

12 Q Mr. Nutter, in your opinion will granting
13 this application be in the best interest of conservation,
14 the prevention of waste, and the protection of correlative
15 rights?

16 A Well, it won't violate correlative rights
17 because it will provide equal opportunity to everyone to
18 drill in the -- in whatever 40 they need to drill in.

19 I would point out that these specified
20 locations may be valuable and may be prudent when you're in
21 the fairway of a pool, but this pool is in the later stages
22 of development. You're out on the edges now and you do need
23 more flexibility than when you're in the initial stages of
24 drilling right on top of the structure.

25 So we feel that with the flexibility more

1 wells will be drilled, additional reserves will be re-
2 covered, and it will prevent waste to that extent.

3 Q Were Exhibits One, Two, Three-A and
4 Three-B compiled under your direction?

5 A Yes, they were.

6 MR. CARR: At this time, Mr.
7 Quintana, we would offer into evidence Newkumet Exhibits
8 One, Two, Three-A and Three-B.

9 MR. QUINTANA: Exhibits One,
10 Two, Three-A, and Three-B will be entered as evidence in
11 Case 8701.

12 MR. CARR: I have nothing fur-
13 ther of Mr. Nutter on direct.

14

15 CROSS EXAMINATION

16 BY MR. QUINTANA:

17 Q Mr. Nutter, do you recall the reason why
18 High Plains Permo-Penn Pool originally had limitations on
19 where they could place the wells?

20 A I don't recall exactly but I recall the
21 procedure that was used at the time these pool rules were
22 adopted, and usually it was at the request of the applicant
23 who sought the pool rules, and I'm not sure even who the ap-
24 plicant was in this particular case. I don't recall.

25 Q The other question I have is waivers that

1 we have in hand at this time from all these operators, would
2 that represent all of the operators within the High Plains
3 Permo-Penn Pool?

4 A It represents almost all. Now these
5 wells up in Section 22 are shown to be operated by Apache
6 Corporation. Those are operated by Tipton at this time and
7 we were not able to contact Tipton. So I don't know if we
8 would have a waiver from Tipton if we had been able to con-
9 tact them or not.

10 MR. WILSON: May I say some-
11 thing?

12 MR. QUINTANA: State your name,
13 please.

14 MR. WILSON: Johnnie Wilson with
15 M & W of Lovington, and at this time those wells are not
16 completed in the Lower Permo-Penn. They have been recom-
17 pleted at the higher horizon and they are not any longer
18 producing from that interval.

19 A They're not in this pool at all, then,
20 any more.

21 MR. WILSON: No, sir.

22 MR. QUINTANA: Fine. Thank you
23 for that information.

24 Q Mr. Nutter, do you believe that the chan-
25 ges of rules in this specified manner that you have indi-

1 cated will affect, adversely affect, any operators?

2 A No, I can't see that it would. It opens
3 up some new locations. It opens up ten new locations here
4 and four of them are outside of the pool, so if those could
5 be drilled, and Newkumet's first well is outside the present
6 pool boundaries, so we might extend the pool and it certain-
7 ly wouldn't affect anybody in the pool to extend it.

8 Q Mr. Nutter, would you be opposed to
9 either yourself or Mr. Carr presenting a proposed order?

10 A We'd be happy to prepare an order for
11 you, Mr. Quintana.

12 MR. QUINTANA: I have no further
13 questions of the witness.

14 Are there other questions of
15 the witness?

16 If not --

17 MR. CARR: Mr. Quintana, we
18 would, however, note that we do have a letter from Amerind
19 that Mr. Bruce gave us but was not interested in staying
20 here all morning to deliver that. We exchanged waivers with
21 him earlier this morning. That's why we appeared and waived
22 opposition to his case earlier.

23 MR. QUINTANA: Fine. If there
24 is nothing further in Case 8701 it will be taken under ad-
25 visement.

(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. 8701 heard by me on SEPT. 11 1985.

Gilbert P. Quintana, Examiner
Oil Conservation Division