

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

23 October 1985

EXAMINER HEARING

IN THE MATTER OF:

Disposition of cases without testi-  
mony from the docket for 23 October  
1985.

CASES 5777  
8730, ~~8731~~  
8733, 8711  
8719, 8735  
8736, 8737  
8733, 8712  
8721, 8689  
8739, 8732

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

For the Applicant:

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# I N D E X

## CASES NUMBERS:

5777 - Taken under advisement	3
8730 - Continued and readvertised	4
8731 - Continued and readvertised	4
8733 - Dismissed	4
8711 - Taken under advisement	4
8733 - Dismissed	5
8712 - Continued	6
8735 - Continued	6
8736 - Continued	7
8737 - Continued	7
8721 - Dismissed	7
8689 - Continued	8
8739 - Continued	8
8732 - Dismissed	9

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3 MR. STOGNER: This hearing will  
4 come to order to consider Docket 32-85.

5 I'm Michael E. Stogner, the  
6 Examiner appointed for today's hearing.

7 We'll call first Case Number  
8 3777, which is in the matter of Case Number -- I'm sorry,  
9 5777 being reopened on the motion of the Oil Conservation  
10 Division and pursuant to Division's Order No. R-5316, which  
11 created the Horseback Pennsylvanian Gas Pool in Lea County,  
12 New Mexico, and promulgated temporary special rules and reg-  
ulations as such.

13 We will now call for appear-  
14 ances in this matter.

15 There being none, this case  
16 will be taken under advisement.

17 \*

18  
19 Call Case Number 8730.

20 MR. TAYLOR: Application of  
21 Ray Westall for salt water disposal, Eddy County, New Mexi-  
22 co.

23 MR. STOGNER: At the appli-  
24 cant's request this case will be continued and readvertised  
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for the hearing scheduled for Thursday, November 21st, 1985.

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MR. STOGNER: Call next Case  
Number 8731.

MR. TAYLOR: The application of  
Amerada Hess Corporation for compulsory pooling, Lea County,  
New Mexico.

MR. STOGNER: At the appli-  
cant's request Case Numbr 8731 will be continued to the Exa-  
miner's Hearing scheduled for November 6th, 1985.

This case will also be readver-  
tised.

\*

MR. STOGNER: Call next Case  
Number 8711.

MR. TAYLOR: The application of  
Yates Petroleum Corporation for compulsory pooling, Roose-  
velt County, New Mexico.

MR. STOGNER: This case was  
heard on September 25th, 1985. Due to an error in the ad-  
vertisement this case was readvertised for today.

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2                   We will now call for any addi-  
3 tional appearances and/or testimony.

4                   There appear there is none.  
5 This case will be taken under advisement.

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7                   \*

8                   MR. STOGNER: Call next Case  
9 Number 8719.

10                  MR. TAYLOR: Application of TXC  
11 Production Corporation for compulsory pooling, Lea County,  
12 New Mexico.

13                  MR. STOGNER: Due to an adver-  
14 tising error this case was continued from the hearing Octo-  
15 ber 9th, which stretched into the 10th, and was readvertised  
16 to today.

17                  We'll now call for appearances.  
18 There being none this case will  
19 be taken under advisement.

20                  \*

21  
22                  MR. STOGNER: Call Case 8733.

23                  MR. TAYLOR: Application of  
24 Earle M. Craig, Jr. Corporation for an unorthodox gas well  
25

Location, Eddy County, New Mexico.

MR. STOGNER: At the applicant's request Case Number 8733 will be dismissed.

\*

MR. STOGNER: Call next Case Number 8712.

MR. TAYLOR: The application of Kimbell Oil Company of Texas for hardship gas well classification, Rio Arriba County, New Mexico.

MR. STOGNER: At the applicant's request this case will be continued to the Examiner's hearing scheduled for November 6th, 1985.

\*

MR. STOGNER: Call next Case 8735.

MR. TAYLOR: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico.

MR. STOGNER: At the applicant's request Case Number 8735 will be continued till the Examiner's Hearing scheduled for November 6th, 1985.

MR. STOGNER: Call Case 8736.

MR. TAYLOR: Application of Southland Royalty Company for compulsory pooling, Rio Arriba County, New Mexico.

MR. STOGNER: At the applicant's request Case Number 8736 will be continued to the Examiner's Hearing scheduled for November 6th, 1985.

\*

MR. STOGNER: Call next Case Number 8737.

MR. TAYLOR: Application of Southland Royalty Company for compulsory pooling, Chaves County, New Mexico.

MR. STOGNER: At the Applicant's request this case will also be continued to the Examiner's Hearing scheduled for November 6th, 1985.

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MR. STOGNER: Call next Case Number 8721.

MR. TAYLOR: Application of

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Inexco Oil Company for compulsory pooling, Lea County, New Mexico.

MR. STOGNER: At the applicant's request this case is dismissed.

\*

MR. STOGNER: Call next Case Number 8689.

MR. TAYLOR: Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico.

MR. STOGNER: At the applicant's request Case Number 8689 will be continued to the Examiner's hearing scheduled for November 6th, 1985.

\*

MR. STOGNER: Call Case Number 8739.

MR. TAYLOR: Application of Chama Petroleum Company to rescind Division Order No. R-7637, Eddy County, New Mexico.

MR. STOGNER: At the applicant's request this hearing -- I mean this case will be con-



tinued to the Examiner's hearing scheduled for November 6th,  
1985.

\*

MR. STOGNER: Call Case Number  
8732.

MR. TAYLOR: The application of  
Earle M. Craig Corporation for compulsory pooling, Eddy  
County, New Mexico.

MR. STOGNER: We will now call  
for appearances in this matter.

There being there's no  
appearances at this moment, we will recall this later on in  
today's hearing.

(Thereupon at a later time during the same day  
Mr. Stogner announced the dismissal of Case No.  
8732.)

## CERTIFICATE

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 hear-  
ing, 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 examination hearing of ~~C. No. 2~~ those cases  
as listed heard by me on 23 October 1985.  
Robert H. Rogers Examiner  
Oil Conservation Division

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

6 6 November 1985

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Amerada Hess Corpor- CASE  
10 ation for compulsory pooling and an 8731  
11 unorthodox well location, Lea County,  
12 New Mexico.

13 BEFORE: David Catanach, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

16  
17 For the Division: Jeff Taylor  
18 Attorney at Law  
19 Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

20 For the Applicant: Joel M. Carson  
21 Attorney at Law  
22 LOSEE AND CARSON  
P. O. Drawer 900  
23 Artesia, New Mexico 88210  
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I N D E X

GREGORY MORTON

Direct Examination by Mr. Carson	3
Cross Examination by Mr. Catanach	11

ROBERT LUPE

Direct Examination by Mr. Carson	14
Cross Examination by Mr. Catanach	18

E X H I B I T S

Applicant Exhibit A, Plat	5
Applicant Exhibit A-1, Letters	6
Applicant Exhibit B, Listing	6
Applicant Exhibit C, List	7
Applicant Exhibit D, AFE	9
Applicant Exhibit E, Operating Agreement	10
Applicant Exhibit F, Production Data	15
Applicant Exhibit G, Map	16
Applicant Exhibit H, Map	17

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3 MR. CATANACH: Call Case 8731.

4 MR. TAYLOR: The application of  
5 Amerada Hess Corporation for compulsory pooling and an  
6 unorthodox well location, Lea County, New Mexico.

7 MR. CARSON: Mr. Examiner, my  
8 name is Joel Carson, Losee, Carson, P. A., Artesia, New Mex-  
9 ico, appearing on behalf of the applicant.

10 I have two witnesses.

11 MR. CATANACH: Will the witnes-  
12 ses please stand and be sworn in?

13 (Witnesses sworn.)

14 MR. CATANACH: Are there any  
15 other appearances in this case?

16 You may proceed, Mr. Carson.

17  
18 GREGORY MORTON,  
19 being called as a witness and being duly sworn upon his  
20 oath, testified as follows, to-wit:

21 DIRECT EXAMINATION

22 BY MR. CARSON:

23 Q Mr. Morton, would you please state your  
24  
25

1  
2 full name and by whom you're employed?

3 A Gregory Morton and I'm a petroleum land-  
4 man for Amerada Hess Corporation.

5 Q Mr. Morton, have you previously testified  
6 before this Commission?

7 A Yes, I have.

8 Q And have your qualifications as a landman  
9 been acceptable?

10 A Yes they were.

11 MR. CARSON: Mr. Examiner, are  
12 his credentials acceptable now?

13 MR. CATANACH: The witness is  
14 so qualified.

15 Q Mr. Morton, would you please explain the  
16 purpose of your application in Case Number 8731?

17 A Amerada Hess Corporation hereby requests  
18 compulsory pooling and an unorthodox well location.

19 We seek an order pooling all mineral in-  
20 terest from the Wolfcamp through the Atoka formation under-  
21 lying the north half of the southeast of Section 10, Town-  
22 ship 16 South, 37 East, to be dedicated to a well to be  
23 drilled at an unorthodox location 1700 feet from the south  
24 line and 2300 feet from the east line of Section 10.

25 Also to be considered will be the cost of  
drilling and completing said well and allocation of costs

thereof as well as actual operating costs and charges for supervision.

Also to designate Amerada Hess as the operator and a charge for risk involved in drilling said well.

Q            Mr. Morton, I'm going to refer you to what's been marked as Applicant's Exhibit A and ask if that was prepared by you or under your supervision?

A Yes, it was prepared by me.

Q            Would you explain in general terms what  
the exhibit shows?

A                    This is our land ownership plat showing the red signifies the proposed proration and drilling unit. The triangle represents our unorthodox location and the -- the patterned acreage represents Amerada Hess' leasehold.

Q And the gray acreage to the left shows what?

A            That's Amerada Hess's acreage also, and  
that's full, full interest Amerada.

Q           Mr. Morton, you have previously received the consent of all of the offset operators to your nonstandard location, have you not?

A            Yes, I have, and I have executed letters  
by each of the offsetting owners.

MR. CARSON; Do you want that

1  
2 in the record, Mr. Examiner, or is his testimony sufficient?

3 MR. CATANACH: The -- I'm  
4 sorry. Could you repeat that again?

5 MR. CARSON: My question was do  
6 you want copies of these letters in your -- in the record or  
7 is just simply his testimony sufficient?

8 I can mark them, if you like.

9 MR. CATANACH: We need copies  
10 in the record.

11 MR. CARSON: Okay, I would like  
12 to mark these as Exhibit A-1 just for the purposes of the  
13 record and ask that they be introduced into evidence.

14 MR. CATANACH: Exhibits --  
15 Exhibit A-1 will be admitted into evidence.

16 Q Mr. Morton, I'll now refer you, going  
17 back to our compulsory pooling application, I'm going to  
18 refer you to Applicant's Exhibit B and ask you to in general  
19 terms explain what that shows.

20 A Exhibit B represents a listing of all of  
21 the royalty owners, working interest owners, and mineral  
22 owners in our proposed proration unit.

23 Q And those that are marked as -- with a  
24 number one and an asterisk are the ones that you're  
25 proposing to force pool for on reason or another.

A That is true, sir.



1  
2 Q I'm going to refer you to Applicant's Ex-  
3 hibit Number C and ask you to identify that.

4 A Exhibit C is a list of the respondents  
5 and the contacts that we have made with every individual re-  
6 spondent to this forced pooling.

7 Q Without -- as briefly as possible let's  
8 go through that list and explain for the purposes of the re-  
9 cord which ones are -- we're now seeking to force pool and  
10 which ones have been scratched off and what the disposition  
has been.

11 A Okay. Thirteen of the respondents listed  
12 here, Stanford Clinton, Sr., Stanford Clinton, Jr., Bruce  
13 Clinton, John Mohler, Mary Jean Corbin, John F. Stafford,  
14 William Stafford, Ethel Yates, Mary Vendt, American United  
15 Research Foundation, Unitarian Universalists Association,  
16 Jack Webster, and Olive Kirby, all of these individuals we  
17 have attempted to contact and to take a lease or to get  
18 their participation in the well, and several of them we have  
been, as listed here, we have not been able to locate.

19 The ones that we have been able to lo-  
20 cate, they're not willing to commit to our well. They, I  
21 would say the majority of them have said, if contacted, that  
22 their interest was too small, go ahead and force pool them.

23 Q Now, starting with Number what, Fifteen,  
24 M. B. Webster --  
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A Yes.

Q -- could you tell what has happened?

A Starting with Juanita McMillan, that's a title curative problem, as stated there.

M. B. Webster is an interest -- is also a curative problem.

Do you want me to go into some detail on --

Q No, just tell us if you've tried to contact them and if so would they join.

A Juanita McMillan, we attempted -- we have contacted and she is going to sign an oil and -- I mean a ratification for us but she has yet to do that up to today.

M. B. Webster is dead and there's some problems as to whether or not he conveyed an interest simply because his wife did not join in the conveyance.

Corinne Foster is deceased and --

Q Now you found -- you have found her heirs, have you not?

A I did so. Roy Norris has found, as in Number Seventeen, he is her brother and her sole and only heir and Amerada Hess has made a deal with Roy Norris but we have yet to receive the signed lease, so we're listing him as a respondent to this forced pooling.

Q Have you found Number Eighteen through

1  
2 Twenty-two?

3 A Yes. No. We've found Eighteen through  
4 Twenty-one and we have title problems with that, but Georgia  
5 S. Fell is dead and it's going to be pretty tough to clear  
6 that, Number Twenty-two.

7 Q For the purpose of the Number Seventeen  
8 through -- or Eighteen through Twenty-two, is that these are  
9 people that you have contacted and they either have not --  
10 well, they may have agreed to join, they have not joined as  
11 yet, or else they did, or something like that.

12 A That's correct.

13 Q The purpose of your application for -- to  
14 force pool these people is simply to be sure that you have  
15 that interest under control.

16 A That's exactly correct.

17 Q I would refer you on to Applicant's Exhi-  
18 bit Number D and ask you to identify that.

19 A This is our Final AFE Cost Estimate show-  
20 ing the dry hole and completed well costs for our Homestake  
21 Royalty 1-2 Well, which is the well that we're dealing with  
22 here today.

23 It shows a dry hole cost of \$697,600; a  
24 completed well cost of \$1,063,600.

25 Q Mr. Morton, is this -- are the costs as  
shown on this exhibit being reasonable, in your opinion?

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A Yes, they are.

Q And they are comparable to the costs of other wells you've drilled in the area, are they not?

A Yes.

Q I direct your attention to Exhibit E and ask you to identify that.

A That is the joint operating agreement that is going to cover -- to cover our drill site.

Q And this is the joint operating agreement that you have proposed both to those people that have consented and to those that are nonconsent.

A That is exactly true.

Q I'd like to refer you to the COPAS provision on this, at least if I can find it.

A Page Four.

Q Page Four, COPAS, and ask you if you're proposing -- what you're proposing as an overhead rate?

A We're proposing as an overhead rate, drilling rate, \$5860; a producing rate of \$586.

Q Now, is that rate comparable to what other operators are charging in the area and as a matter of fact comparable to what you're -- what you have charged on other wells in the area?

A Yes, it is.

Q And do you feel that that's reasonable?

A            It's reasonable.

MR. CARSON: I would like to move the introduction of Applicant's Exhibits A, A-1, through G -- E, I'm sorry.

MR. CATANACH: Exhibits A through E will be admitted as evidence.

MR. CARSON: I don't have any further questions of this witness.

CROSS EXAMINATION

BY MR. CATANACH:

Q            Mr. Morton --

A Uh-huh.

Q -- in your Exhibit Number C, is this a list of the people that are being force pooled?

A            Yes, it is.

Q And most of them have been contacted, you say?

A                    Well, Mr. Trial Examiner, if you would refer back to our application, we are -- we have made a deal with several of the owners and we would like to strike from your Exhibit A those individuals that we have made a deal with, and I don't think they're going to agree exactly to my Exhibit C, either.

MR. CARSON: I don't think

1  
2 you're answering his question. I think the question was we  
3 have either contacted or attempted to contact all of those  
4 people listed on Exhibit C, have we not?

5 A Yes, we have. We have.

6 Q These are the parties that you want --

7 MR CARSON: Yes, that's cor-  
8 rect.

9 A Yes.

10 Q Of the people that you did contact on  
11 that list, were they also notified of the hearing today?

12 A Yes.

13 Q Mr. Morton, what percentage do you have  
14 voluntarily, voluntarily committed to the well?

15 A 90 -- I would say about 94 percent, or  
16 so.

17 Q Mr. Morton, referring to your Exhibit D,  
18 your AFE, you said that these costs were reasonable with --  
19 were within reason. Have you -- has your company drilled a  
20 well in this area?

21 A Yes, we're presently drilling a well in  
22 the southwest quarter of Section 9, 16 South, 37 East, and  
23 our dry holes costs for that well was, if I recall correct-  
24 ly, roughly comparable to what we're drilling this well for.

25 Q And our overhead charges, those are --  
those are in line with other operators in the area?

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A Yes.

Q Mr. Morton, on the well that you are currently drilling, did you say, or --

A Yes, currently drilling.

Q The overhead drilling rate for that well, is that in line with this figure?

A Our overhead drilling -- producing -- our drilling rate was \$5020 and our drilling was \$520 on that particular well.

Our accountants correlate those back and review that particular amount that's used and update it according to the history.

Q So that your new figure, 5860, has been updated from that --

A Yes.

Q -- \$5020?

A Yes, it has, and let me just say one other thing.

Amoco is drilling a well in Section 2 of 17 South, 38 East, and their drilling rate is \$8062 and their producing rate is \$620, so we're below that.

So I would believe this is a reasonable rate.

MR. CATANACH: I have no further questions at this time.

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

## DIRECT EXAMINATION

BY MR. CARSON:

Q Would you state your name, Mr. Lupe, and  
spell it for the reporter?

A Robert Lupe, L-U-P-E.

Q And, Mr. Lupe, by whom are you employed?

A Amerada Hess Corporation.

Q And in what capacity?

A I'm a geologist.

Q Mr. Lupe, you have previously testified  
before this Commission, have you not?

A Yes, I have.

Q And your qualifications at that time were  
acceptable, were they?

A They were.

MR. CARSON: Are his qualifica-  
tions acceptable, Mr. Examiner?

MR. CATANACH: Mr. Lupe, do you  
recall when you testified last?

A I believe it was August of this year.



1  
2 MR. CATANACH: The witness is  
3 considered qualified.

4 Q Mr. Lupe, I'm going to refer you to  
5 what's been marked as Applicant's Exhibit Number F and ask  
6 if you would identify that.

7 A And describe it?

8 Q Yes.

9 A Exhibit F is the record of production ex-  
10 perience in the area of Northeast Lovington Field that's  
11 nearest to the proposed location.

12 The intent of that exhibit is to address  
13 the question of forced pooling and it cannot be raised by  
14 showing the inherent high risk of the play.

15 To orient you a little bit, the arrow  
16 with the triangle (not clearly understood) locates the pro-  
17 posed location. The second arrow to the west locates the  
18 currently drilling well, the Andrus 1-9, which was force  
19 pooled last August.

20 The symbols identify the profitability of  
21 wells based on past experience.

22 Those in yellow in the circles are  
23 profitable wells.

24 Those colored red in the boxes are unpro-  
25 fitable producing wells, or dry holes.

The one blue dot in the hexagon is a mar-

1  
2 ginal producing well, based on our estimates of how much oil  
3 must be produced to be profitable.

4 The point here is to point out to the  
5 Commission that with this uneven distribution of production,  
6 yellow versus red, we document very uneven experience in the  
7 production from the Strawn reservoir that is the result of  
8 the nature of the reservoir itself.

9 The target reservoir within the Strawn is  
10 algal mound development within that rock layer, and our un-  
11 derstanding of that algal mound development is that it's  
12 very small and unpredictable in its location and is discon-  
13 tinuous.

14 Q Mr. Lupe, based on Applicant's Exhibit  
15 Number F and your experience in this area, do you have a  
16 penalty to propose to the Commission or a risk factor, as it  
17 were?

18 A Yes. Due to the high risk as we analyze  
19 it, we would suggest cost plus 200 percent.

20 Q I refer you to Applicant's Exhibit Number  
21 G, going back to our unorthodox location application, and  
22 ask you that exhibit was prepared by you or under your loca-  
23 tion -- I mean under your supervision?

24 A Yes, it was prepared by me.

25 Q Would you explain to the Examiner what  
that exhibit purports to show?

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2           A           This exhibit, Exhibit F, orients you in a  
3 way to introduce Exhibit H, actually. It's the same base  
4 map as Exhibit F, locating the proposed location and the An-  
5 drus Well.

6                   In addition it shows the distribution of  
7 production in the Northeast Lovington Field by the green  
8 colored fields as you see them here.

9                   It is a structural map based on well con-  
10 trol at the top of the Strawn formation.

11           Q           I will refer you to Applicant's Exhibit H  
12 and ask if that was prepared by you or under your supervi-  
13 sion?

14           A           Yes, it was.

15           Q           Could you explain what that exhibit pur-  
16 ports to show?

17           A           This exhibit attempts to justify the un-  
18 orthodox location. It is an Isochron map, which is a geo-  
19 physical thickness map, of the Strawn formation and identi-  
20 fies an unusually thick part of the Strawn marked by the 15  
21 millisecond contour you see there locates what we believe  
22 the algal mound, and that is what we believe to be the  
23 reservoir that we're requesting with this well.

24           Q           Based on your study, is the proposed un-  
25 orthodox location the best location to drill this well?

          A           Yes. We're expecting to get the optimum

1  
2 location on this mound to produce it.

3 Q Mr. Lupe, I would like to ask you this  
4 question.

5 Based on your study of this area and your  
6 exhibits here, is it your opinion that the granting of this  
7 unorthodox -- application for unorthodox location, as well  
8 as the application for compulsory pooling, would have an ef-  
9 fect of protecting correlative rights, preventing waste, and  
10 eliminate the necessity for drilling an unnecessary number  
of wells?

11 A Yes. I believe by drilling in the opti-  
12 mum location we could achieve that.

13 MR. CARSON: I have no further  
14 questions, Mr. Examiner. I'd like to move the introduction  
15 of the rest of these exhibits, which I believe, if I didn't  
16 miscount this time, Sally, are numbered F through H.

17 MR. CATANACH: F through H will  
18 be admitted into evidence.

19 CROSS EXAMINATION

20 BY MR. CATANACH:

21 Q Mr. Lupe, is that location within any  
22 specific pool?

23 A Yes. This location has been designated  
24 part of the Northeast Lovington Pool.  
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Q Is it actually in the pool?

MR. CARSON: I think it's within one mile of the Northeast Lovington Pool.

A Correct. That's correct.

MR. CARSON: It's under the pool rules.

MR. CATANACH: And the pool rules for the Northeast Lovington Pool provide for 80-acre spacing, is that correct?

A That's correct.

Q Do you know the legal location for the Northeast Lovington Pool?

A The legal location for a development well is 150 feet from the center of the quarter quarter.

Q I refer you to your Exhibit Number H. Is this information obtained from what data, seismic data?

A This is seismic data, yes.

Q And in your opinion this is the optimum place to drill the well?

A Absolutely.

Q Mr. Lupe, on Exhibit F, what was the basis for your calculations on those, whether a well was profitable or not?

A The basis is our experience; our economic analysts predict that it will take approximately 70,000 bar-

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2 rels to pay out a well.

3 Now it's difficult to go back in time and  
4 use that absolute criteria to draw the line, but I don't  
5 think there are too many situations on this -- on this map  
6 here that come within that fuzzy area of 70,000 barrels. I  
7 think they're nonprofitable or they're profitable except in  
8 the instance of the Yates Lovington Well in the southeast  
quarter of Section 8.

9 Q The closest producing well to your loca-  
10 tion would be the Pennzoil State 16?

11 A That's a dry hole.

12 Q It's a dry hole?

13 A Yes, it is. The closest producing well  
14 is the Amerada Hess State 1-9, northeast quarter of Section  
9.

15 Q Was the well in Section 15, the State D,  
16 was that also a dry hole?

17 A That was a dry hole. Those designated by  
18 the open hole with the cross line were dry holes.

19 Those with a solid circle within the cir-  
20 cle were producing wells, if they are colored red, and I be-  
21 lieve there is only one on this map, and that would be in  
22 Section 19, northeast southeast that was drilled as a produ-  
cer and was unprofitable.

23 Q Mr. Lupe, in your Section 10, the south  
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half of the southeast quarter --

A Yes.

Q Do you know who operates that lease? Is it operated by Amerada Hess?

A Exhibit A shows leasehold ownership. The entire southeast quarter, as I see it here, Amerada Hess holds nearly 128 net acres; Inexco, 20 percent; unleased 10 percent; and Barton 1. -- I'm sorry, not percent; that's net acres; and Barton, 1.29 net acres; D. Wilson, less than a net acre.

Q And Amerada Hess is the operator of the southeast quarter?

MR. MORTON: If I may say something, it's an undivided ownership in the entire southeast quarter. It's undivided and it's owned in the proportion that's shown on that plat.

MR. TAYLOR: But you all are the operator of that?

MR. MORTON: Amerada Hess is, yes.

MR. CATANACH: Thank you, Mr. Morton.

I have no further questions of Mr. Lupe.

Are there any other questions?

1  
2 MR. CARSON: Mr. Examiner, be-  
3 fore we stop, let me mention this. I don't suppose it needs  
4 to be mentioned necessarily on the record, but as I told you  
5 before the hearing, there is a small problem involved with  
6 this prospect in that there's a lease expiring on the 14th.

7 I had previously talked to the  
8 Director and he had said that I should mention that to you  
9 and that I should bring a proposed order with me, which I  
10 did, and which I leave with you for your consideration.

11 MR. CATANACH: Thank you, Mr.  
12 Carson.

13 Is there anything further in  
14 Case 8731?

15 If not, it will be taken under  
16 advisement.

17 (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 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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 8731  
heard by me on November 6 1985.

David Calant, Examiner  
Oil Conservation Division