

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

21 November 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of Sun Exploration  
and Production Company for a non-  
standard gas proration unit, com-  
pulsory pooling, and dual completion,  
Lea County, New Mexico.

CASE  
8748

and

Application of Doyle Hartman for a  
nonstandard gas proration unit, com-  
pulsory pooling, and an unorthodox  
gas well location, Lea County, New  
Mexico.

CASE  
8722

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

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MR. STOGNER: We will now call Cases Number 8748 and 8722.

MR. TAYLOR: The application of Sun Exploration and Production Company for a nonstandard gas proration unit, compulsory pooling, and dual completion, Lea County, New Mexico.

And the application of Doyle Hartman for nonstandard gas proration unit, compulsory pooling, and an unorthodox gas well location, Lea County, New Mexico.

MR. STOGNER: For the record, Case Number 8748 was the application of Sun Exploration, was called and some testimony was allowed in conjunction with Case 8722 at the October 21st, 1985 Examiner's Hearing.

In Case Number 8722, it was called and heard on October 21st, 1985, but due to additional request by the applicant, this case was continued and readvertised for today.

We'll now call for appearances in both cases.

MR. BRUCE: Jim Bruce of the Hinkle Law Firm, Santa Fe, representing Sun Exploration and Production.

MR. JOYNER: And Ken Joyner ap-

1 appearing in association with Mr. Bruce and representing Sun  
2 Exploration and Production Company.

3 MR. CARR: May it please the  
4 Examiner, my name is William F. Carr, with the law firm  
5 Campbell and Black, P. A., of Santa Fe.

6 I'm appearing on behalf of  
7 Doyle Hartman, the applicant in Case 8722.

8 MR. STOGNER: For purposes of  
9 testimony both these cases will be consolidated today.

10 Mr. Hartman, I mean, I'm sorry,  
11 Mr. Carr, do you propose to put on any additional testimony?

12 MR. CARR: I do not at this  
13 time plan to call witnesses. I do have a brief opening  
14 statement.

15 MR. STOGNER: Mr. Bruce, do you  
16 propose to present testimony?

17 MR. BRUCE: Yes. I defer to  
18 Mr. Joyner.

19 MR. JOYNER: Yes, we have three  
20 witnesses to present today.

21 MR. STOGNER: Will all witnes-  
22 ses please stand?

23

24

(Witnesses sworn.)

25

1 MR. STOGNER: Mr. Carr?

2 MR. CARR: May it please the  
3 Examiner, in September of this year Mr. Hartman filed an ap-  
4 plication seeking the creation of a 200-acre nonstandard  
5 proration unit in the Jalmat Gas Pool and the case was set  
6 originally for hearing on October the 7th.

7 The hearing was continued at  
8 the request of Sun and others to enable them to prepare and  
9 it came on for hearing on October 23rd, 1985.

10 On October 22nd, one day before  
11 the hearing, we were served with a copy of an application  
12 seeking an order pooling the 160-acre tract in the southeast  
13 quarter of Section 25. At the time of that hearing Sun  
14 moved to consolidate the cases and at that time Mr. Bruce,  
15 attorney for Sun, stated that the Division -- asked that the  
16 Division go ahead and decide the forced pooling applications  
17 and said that they had no witness on the dual completion  
18 part of that case.

19 At the time the hearing con-  
20 cluded, Mr. Bruce stated that Sun would like to reserve the  
21 right to present testimony on the dual completion and a  
22 penalty on the unorthodox location at a subsequent hearing,  
23 if necessary .

24 To clarify that point I asked  
25 him, just so we might understand, those are the areas in

1 which you might present additional testimony, and Mr. Bruce  
2 stated, "Correct, only those areas."

3 We are here today to respond to  
4 any questions concerning the dual completion. We are here  
5 to respond to any questions concerning a penalty on the un-  
6 orthodox location of our well, but we submit that Sun is  
7 bound by the stipulation entered into in this proceeding be-  
8 fore you and that they now want to, having had ample oppor-  
9 tunity to prepare, and having had cases continued, they now  
10 want to reopen the initial pooling case. We think that's  
11 inappropriate, that they should not be permitted to do so  
12 and that they should be instructed to confine the testimony  
13 to those areas which we stipulated would be discussed here  
14 today.

15 MR. JOYNER: In response, one  
16 point Mr. Carr failed to mention was that at the hearing  
17 held on October 23rd Mr. Hartman had changed the location of  
18 his unorthodox well from a location in the northwest quarter  
19 of the southeast quarter to a location that was in the  
20 northeast quarter of the southeast quarter, and we are not  
21 here today to present any evidence concerning the forced  
22 pooling and in fact have amended our application to basical-  
23 ly be the same area to be involved in the nonstandard prora-  
24 tion unit.

25

1                   We're here to present testimony  
2 today concerning an unorthodox location and whether or not  
3 any penalty should be assessed on that location, and also to  
4 present testimony on our dual completion.

5                   Thank you.

6                   MR. CARR: There's just one  
7 other thing, just that my friend across the table also for-  
8 got to state and that is that since that time they have  
9 filed an amended application and that we are now no longer  
10 disputing a 200-acre proration unit because Sun has amended  
11 their application to pick up the acreage that was originally  
12 included within the initial Hartman application.

13                   MR. JOYNER: That's correct.

14                   MR. STOGNER: Okay, to clarify  
15 matters in both cases here, both parties at this time wish  
16 to force pool the same 200 acres, is that right, not separ-  
17 ate acreage?

18                   MR. JOYNER: Except they want  
19 to pool the Langlie Mattix as well as the Jalmat, do they  
20 not, and we're just asking --

21                   MR. CARR: The applications,  
22 Mr. Stogner, both are for pooling the same 200 acres in the  
23 Jalmat. Sun is also seeking an order, as I understand it,  
24 pooling the 40-acre tract upon which their well would be lo-  
25 cated in the Langlie Mattix.

1                   That's the only difference in  
2 the pooling part of the case.

3                   MR. JOYNER: Right, yeah. We  
4 were just -- in the event that we were allowed to drill that  
5 well as we propose, then we presented testimony, I think,  
6 last time on the forced pooling of that portion, so we're  
7 really only here today to talk about well locations and pen-  
8 alty and a dual completion; that's all.

9                   MR. STOGNER: Mr. Carr, do you  
10 still plan not to --

11                   MR. CARR: I still plan not to  
12 call a witness.

13                   MR. STOGNER: Thank you.  
14 Who should I address here for  
15 Sun today? Mr. --

16                   MR. BRUCE: Mr. Joyner.

17                   MR. STOGNER: Mr. Joyner, you  
18 may continue.

19                   MR. JOYNER: Thank you, sir.  
20 I'd like at this time to call Mr. Bob Walker as our witness.

21  
22                                   BOB WALKER,  
23 being called as a witness and being duly sworn upon his  
24 oath, testified as follows, to-wit:  
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DIRECT EXAMINATION

BY MR. JOYNER:

Q Please state your name, by whom you're employed and in what capacity.

A Robert Walker. I'm employed by Sun Exploration and Production Company as an area geologist in southeastern New Mexico.

Q And did you testify at the hearing on October 23rd as a petroleum geologist and were your qualifications accepted at that time?

A Yes, I did, and yes, they were.

Q All right.

MR. JOYNER: Mr. Stogner, we request that he again be allowed to so testify.

MR. STOGNER: Are there any objections?

MR. CARR: There are no objections.

MR. STOGNER: Mr. Walker is so qualified.

Q Mr. Walker, have you reviewed the available geological data in the area of the applications of Mr. Hartman and Sun and have you reached any conclusions as to whether the granting of an unorthodox location is necessary

1 for either geologic or topographic reasons?

2 A Yes, we have reached some conclusions.

3 Q Okay, and have you prepared or caused to  
4 be prepared under your direct supervision and control  
5 certain exhibits which state facts upon which you have based  
6 your conclusions?

7 A Yes, I have.

8 Q And are those exhibits which you have  
9 now taped to the wall up there and which you're going to be  
10 discussing?

11 A They are.

12 Q First of all, will you just step up  
13 there? It might be easier for you.

14 MR. STOGNER: Mr. Walker would  
15 you please speak up?

16 A Yes.

17 Q First of all, Mr. Walker, what conclu-  
18 sions have you reached regarding the proposed unorthodox lo-  
19 cation?

20 A We have concluded from our geological  
21 study in the area that an orthodox location 1980 from the  
22 south and 1980 from the east would be the better of the two  
23 locations which have been proposed here in the southeast  
24 quarter of Section 25, which is in Town -- it's in Township  
25 24 South and 36 East.

1           Q           Okay, referring to the exhibits which you  
2 have prepared, would you please explain what the basis for  
3 your conclusion is?

4           A           Yes, I will. I have prepared two cross  
5 sections here. The first here is B-B', which we will call  
6 Exhibit A, a stratigraphic section hung on the top of the  
7 Yates and what we are trying to show here is this is the --  
8 off to the east here, by the B', this is the C. D. Woolworth  
9 No. 5, which is operated by Chevron now, located 660 from  
10 the south line, 660 from the west line of Section 30, Town-  
11 ship 24 South, Range 37 East. This is in Unit letter M.

12                       The well is presently producing in the  
13 basal Seven Rivers and Upper Queen Sands of the Langlie Mat-  
14 tix reservoirs.

15                       Now, as we go to the west we have the  
16 Shell State No. 4, which is operated by Willard Deck and  
17 that -- that particular well is a Langlie Mattix producer in  
18 the Upper Queen only. This particular well's legal location  
19 is 360 from the north line, 1880 from the west line of Sec-  
20 tion 36, Township 24 South, Range 36 East, Unit letter C.

21                       Both of these wells have been completed  
22 within the last five years.

23                       What we see here is as you -- I want to  
24 tell you what I pointed out in our Exhibit Two, which we  
25 presented in the first testimony because it's important to

1 what we're dealing with here.

2                   You can see this Seven Rivers Reef trend  
3 off to the west about a half a mile from our proposed loca-  
4 tion and we're actually up on the platform as you move to  
5 the east off this reef and what we are seeking geologically  
6 is that as the sands were deposited up against the reef  
7 right on the edge of the platform, before they start going  
8 up dip, up structure, onto this reef, these sands are drap-  
9 ing over the reef on this and thinning out as they drape  
10 over the reef, but as they come up against it, you're get-  
11 ting thicker sand accumulation and you're getting better  
12 porosity development due to the high energy that is exper-  
13 ienced up against this -- this high, and this cross section  
14 B-B' is very indicative of that.

15                   We're seeing in the Upper Yates in the C.  
16 D. Woolworth No. 5, you're seeing average porosities around  
17 13 percent with peak porosities in the neighborhood of 16  
18 percent and that's in the Upper Yates, and as you move over  
19 to the west you see an average porosity in the neighborhood  
20 of 14 percent with peak porosity 16 percent.

21                   Now, we see much more significance in the  
22 Langlie Mattix. As you move back to the east again in the  
23 Woolworth 5 you're seeing average porosities in the neigh-  
24 borhood of 11 percent with peaks at 13 percent and we're  
25 seeing as you move west again towards this reef, we're

1 seeing average porosities in the neighborhood of 17 percent  
2 and peak porosities 18 percent.

3 So we're seeing a significant differen-  
4 tial in porosities as you move from the east to the west.

5 Q Okay, could you proceed to discuss what  
6 is depicted on your Exhibit B, the A-A' cross section?

7 A Yes, sir.

8 Q Now the A-A' is more indicative of the  
9 type section that we expect to encounter. We put our pro-  
10 posed location, which is an orthodox location, 1980 from the  
11 south and 1980 from the east. This is very close to this  
12 No. 9 Well, which is our most westerly well on the cross  
13 section.

14 Now, what's interesting to note here is  
15 very similar to what we saw over here on the first cross  
16 section, is that you're dealing with better porosity  
17 development as you move from the east to the west.

18 In the Woolworth No. 4, which is -- I'll  
19 go ahead and give you the legal on that. It was -- this  
20 particular well is also operated by Chevron. It is 2080  
21 feet from the south line, 760 feet from the west line of  
22 Section 30, Township 24 South, Range 37 East, Unit letter L.

23 This particular well we see average poro-  
24 sities in the Upper Yates around 20 percent and peak porosi-  
25 ties in the neighborhood of 21 percent.

1                   As you move west going over to the Harri-  
2 son No. 9 Well, and that well, it's legal is 1980 from the  
3 south line, 1470 from the west line of Section 25, Township  
4 24 South, Range 37 East. You see much better porosity dev-  
5 elopment in both the Upper Yates and the Seven -- and the  
6 Langlie Mattix Reservoir, and we see numbers in the range,  
7 average numbers in the Yates around 24 percent, and peak  
8 porosity somewhere in the neighborhood of 30 percent, and as  
9 you move down into the Langlie Mattix Reservoir, which is  
10 the base of the Seven Rivers, Upper Queen here, you're  
11 seeing 13 percent average porosity and 15 percent at its  
12 peaks.

13                   You're seeing as you move back to the  
14 west again in the Harrison No. 9, we're seeing average of 20  
15 percent porosity and peak porosity in the neighborhood of  
16 28 percent.

17                   I'd also like to point out that your num-  
18 ber -- over here to the east, the C. D. Woolworth No. 4 had  
19 only 22 feet of net pay greater than 10 percent in the Upper  
20 Yates and -- or I'm sorry, that would be in the Langlie Mat-  
21 tix Reservoirs, and as you move to the west you're seeing up  
22 to 40 feet with the Harrison 9.

23                   Now, our log data does not allow us to  
24 include porosities in the Queen. We have found from a  
25 regional study in the area that most of these logs are not

1 deep enough to include the top of the Queen much less the  
2 porosities involved with the Upper Queen. So we found the  
3 best log data that was available in the area, we were lucky  
4 it was very close to our proposed location, but most of  
5 these wells are not deep enough and so that's why we were  
6 using -- when I was speaking in terms of 22 feet in the  
7 Woolworth No. 4 versus 40 feet in the Harrison 9, I was  
8 speaking from the top of the Queen to the top of the Langlie  
9 Mattix marker.

10 Q What is the significance of the porosity  
11 development?

12 A Well, you see in a higher -- well, you  
13 have more reservoir capacity and the reason that that poro-  
14 sity was developed better was you're getting a higher energy  
15 environment as you're approaching this reef.

16 Q Therefore is it your opinion that a com-  
17 mercial well could be drilled to develop both the Jalmat and  
18 the Langlie Mattix pools at an orthodox location in the  
19 northwest quarter southwest quarter, or southeast quarter,  
20 excuse me, of Section 36?

21 A Yes.

22 Q And in fact is not Sun proposing such a  
23 well at an orthodox --

24 A Yes, and --

25 Q -- location?



1 stricken because it's inconsistent with the stipulation en-  
2 tered before you a month ago.

3 MR. JOYNER: I believe the com-  
4 ments at the opening of the hearing were we're talking about  
5 whether or not the unorthodox location should be granted or  
6 a penalty should be assessed.

7 I think it is incumbent on the  
8 defendant -- on the applicant to show that the unorthodox  
9 location is required both from a geologic -- either from a  
10 geological or a topographic need.

11 We are showing that in fact an  
12 orthodox location is available and can be drilled and there-  
13 fore an unorthodox location is not required. We're asking  
14 for the ultimate penalty in that he not be allowed to drill  
15 an unorthodox location.

16 I think that also the geologic  
17 testimony which you will see from our engineering testimony  
18 is laying the basis for our conclusions as to the engineer-  
19 ing information we will present.

20 MR. CARR: Well, the two mat-  
21 ters that Mr. Bruce agreed we'd come here to discuss today,  
22 one being the penalty on the unorthodox location proposed by  
23 Mr. Hartman.

24 What we're attempting to do is  
25 reopen this entire case. We're trying to come in here and

1 show that one location is preferable to another, which  
2 doesn't go to a penalty question. It goes to who should be  
3 designated as operator under the pooling application.

4 We submit it's irrelevant to  
5 anything that's properly before you based on our stipulation  
6 and that it should not be admitted.

7 MR. JOYNER: One other point,  
8 one, I will acknowledge that this testimony is -- could be  
9 interpreted to go toward who should operate the unit or  
10 where the well's located, but we're here presenting this  
11 testimony for one purpose and that is to show that an ortho-  
12 dox location is available. Mr. Hartman does not have to  
13 drill that location to be named operator; that's up to him,  
14 but he is -- it's incumbent on him to show that he does not  
15 have an orthodox location and that an unorthodox location is  
16 required because of geology or because of topographic  
17 reasons.

18 He's not done so and we're  
19 showing the fact the contrary is true.

20 Not only that, at the last  
21 hearing without notice until that time of hearing, Mr. Hart-  
22 man moved his location from a point which would be on the  
23 quarter quarter section to the west and would be drilling to  
24 the Langlie Mattix. He's moved it into another proration  
25 unit at that hearing. We ought to have an opportunity to

1 respond to that move. I think all of this is directly rele-  
2 vant to the question of an unorthodox location.

3 MR. CARR: There's one more  
4 thing I'd like to say in that regard.

5 When we moved the location Sun  
6 was here. They didn't express any objection until after the  
7 hearing was over. They went forward with the case. I don't  
8 think they're in a position to complain about notice when  
9 they didn't even serve a pooling application on us until the  
10 night before the hearing.

11 It isn't the duty of an  
12 applicant in a case to come in and show you "I must go  
13 unorthodox because I have no standard locations from which  
14 to develop". That's a decision that's to be made by the  
15 operator and when the operator comes in here and shows you,  
16 as Mr. Hartman did, that he has to drill on this tract  
17 because there's a favorable gas contract there and the price  
18 that will be derived from the gas will be -- that everybody  
19 on the unit will benefit from that location, that's a kind  
20 of a decision an operator makes, and he comes in here and  
21 asks your approval and it is a misstatement of what you're  
22 here to do if you're going to be misled into thinking that  
23 you have to -- can only grant the nonstandard location when  
24 none is available at all. In that situation I submit there  
25 would never be a well at an unorthodox location.

1 I think the testimony here is  
2 not on the subjects that we have come here today to discuss  
3 and I object to it being included in the record. I think  
4 all we're trying to do is put Hartman in a position where he  
5 puts his case on in October and we come back and cross in  
6 November, and I think that is inappropriate and inconsistent  
7 with the way this case is developed and the representations  
8 previously made by counsel.

9 MR. TAYLOR: We're going to al-  
10 low the question and the answer and if necessary, we'll re-  
11 view the record after all of this to see if we think it was  
12 proper, but at the present time we're going to allow it.

13 Q The question, Mr. Walker, that was asked  
14 to which the objection was proposed was in your opinion  
15 would the granting of Mr. Hartman's application protect the  
16 correlative rights of the offset owners in the Langlie Mat-  
17 tix formation and would it prevent waste?

18 A As close as this prospect is to the quar-  
19 ter quarter line, definitely not.

20 Q Thank you.

21 MR. JOYNER: I have no further  
22 questions of this witness and offer him for cross examina-  
23 tion.

24 MR. STOGNER: Mr. Carr.

25 MR. JOYNER: I would also like

1 to offer the exhibits, Exhibit A and Exhibit B.

2 MR. CARR: And I will renew my  
3 objection to those and presume I know how you will rule.  
4 The objection is the same I had as to the testimony as a  
5 whole.

6 MR. STOGNER: Mr. Carr, you are  
7 objecting to allowing these two exhibits into the record as  
8 being irrelevant?

9 MR. CARR: As being irrelevant  
10 to the questions properly before you based on our stipula-  
11 tion.

12 MR. JOYNER: And my response is  
13 the same as before.

14 MR. TAYLOR: And our answer is  
15 the same.

16

17

CROSS EXAMINATION

18 BY MR. CARR:

19 Q Mr. Walker, I believe you testified that  
20 at your proposed standard location you could develop both fo  
21 the zones.

22 A Yes, sir, that's correct.

23 Q Being the Langlie -- being the Langlie  
24 Mattix and the Jalmat.

25 A Yes, sir, as long as 7-inch casing is run

1 in the well.

2 Q And that casing will be necessary for the  
3 purposes of the dual completion.

4 A For a dual completion, yes, sir.

5 Q At the location proposed by Mr. Hartman  
6 it is not your testimony that you couldn't complete in both  
7 of these zones, is it?

8 A Would you state that again, please?

9 Q Could you complete a well in both of  
10 these zones at the location proposed by Mr. Hartman?

11 A Yes, if the unorthodox well was granted  
12 by the Commission.

13 Q Now, if I understand your testimony, your  
14 testimony is that you're gaining a better location as you  
15 move closer to what I guess you call a reef over here to the  
16 west?

17 A Yes, sir, that is the Seven Rivers Reef  
18 which we see reflected there from the sands.

19 Q Now that reef also is not just to the  
20 west, but it goes sort of south and west of the proposed lo-  
21 cation.

22 A Yes, sir, that's correct.

23 Q Isn't the Hartman location in terms of  
24 elevation at a comparable point as the proposed location of  
25 Sun here today?

- 1           A           Yes, they are along strike.
- 2           Q           And so they are along strike --
- 3           A           Yes.
- 4           Q           -- in a comparable elevation.
- 5           A           Yes, in the -- in the Upper Yates, uh-
- 6           huh.
- 7           Q           Did you take into consideration gas con-
- 8           tracts at all in evaluating the location?
- 9           A           Yes, sir, I did.
- 10          Q           And you -- that was a factor in deter-
- 11          mining whether or not you thought your location was favor-
- 12          able to that of Mr. Hartman.
- 13          A           No, sir. I believe both -- both proposed
- 14          locations are under -- the entire 160 acres is under the
- 15          same contract.
- 16          Q           In making this evaluation did you con-
- 17          sider what gas could be sold for under one contract as op-
- 18          posed to the other?
- 19          A           There is no other contract. I'm not sure
- 20          I understand your question.
- 21          Q           Did you compare the price that Sun might
- 22          get for gas from its well as opposed to the price that Mr.
- 23          Hartman might get for gas from a well on his tract?
- 24          A           They were the same.
- 25          Q           They have the same contract?

1           A           To my understanding, yes.

2           Q           Okay. Mr. Walker, a well drilled at the  
3 Hartman location, would that impair Sun's rights in the Jal-  
4 mat Pool?

5           A           Do you mean by that question by us drill-  
6 ing another Jalmat well in the 160 acres in question, or the  
7 200 acres?

8           Q           I mean if the acreage is pooled, the 200  
9 acre unit, and the well is drilled at the location proposed  
10 by Mr. Hartman --

11          A           Okay.

12          Q           Sun would be sharing in that production,  
13 would they not?

14          A           Yes, with our working interest.

15          Q           And so their correlative rights, they  
16 would have an opportunity to get their share of the gas from  
17 that well.

18          A           Yes, that is correct.

19          Q           If a well was drilled at this location in  
20 the Langlie Mattix, would Sun have an opportunity to share  
21 in production from that well?

22          A           No, we would not.

23          Q           Has Sun ever proposed to drill a Langlie  
24 Mattix Well out there?

25          A           Yes, sir, our proposed location, which is

1 orthodox, is to drill a Langlie Mattix and Jalmat well.

2 Q Prior to the time that Mr. Hartman filed  
3 an application to pool and develop this acreage had Sun ever  
4 proposed a Langlie Mattix well in the area?

5 A No.

6 MR. CARR: I have no further  
7 questions.

8

9

REDIRECT EXAMINATION

10 BY MR. JOYNER:

11 Q Just briefly on the question concerning  
12 gas contracts, Mr. Carr asked you, is it your understanding  
13 that the entire 160-acres, that being the southeast quarter  
14 of this section, is dedicated under a contract involving all  
15 gas from gas wells?

16 A Yes.

17 Q And that's the basis of your opinion that  
18 the price would be the same?

19 A That all gas well gas is dedicated under  
20 that 160-acres, meaning the southwest of Section 25, yes,  
21 sir.

22 Q But of course you're not privy to what-  
23 ever Mr. Hartman may have done concerning gas contracts?

24 A I do not know at all what his contracts  
25 are.

1           Q           Thank you. No further questions.

2                       MR. CARR: I have no further  
3 questions.

4                       MR. STOGNER: Are there any  
5 other questions of this witness?

6                       I have no questions of Mr. Wal-  
7 ker at this time.

8                       Are there any other questions  
9 of this witness?

10                      If not, he may be excused.

11                      Are we ready to resume?

12                      Are you ready, Mr. Joyner?

13                      MR. JOYNER: The next witness  
14 is Jeff Smith.

15

16                               JEFFREY E. SMITH,  
17 being called as a witness and being duly sworn upon his  
18 oath, testified as follows, to-wit:

19

20                                       DIRECT EXAMINATION

21 BY MR. JOYNER:

22                      Q           Jeff, please state your name for the re-  
23 cord, indicating by whom you are employed and in what capa-  
24 city and at what location.

25                      A           I'm Jeffrey Smith. I'm employed by Sun

1 Exploration and Production Company in the Southwestern Dis-  
2 trict Office in Midland, Texas, as a reservoir engineer.

3 Q And have you previously testified before  
4 the OCD as a reservoir engineer?

5 A No, I have not.

6 Q In that event, would you please give a  
7 brief description of your educational and work background?

8 A I graduated from the University of Mis-  
9 souri at Rolla in 1979 with a BS in petroleum engineering.

10 I'm a member of the Society of Petroleum  
11 Engineers.

12 I worked in Oklahoma three years as a re-  
13 servoir engineer prior to moving to headquarters in Dallas  
14 and being a reservoir engineer in the Enhanced Oil Recovery  
15 Group for three years, which covered southeastern New Mexi-  
16 co, central and west Texas, and I'm presently now stationed  
17 in Midland, Texas, as a reservoir engineer under the same  
18 area.

19 Q And all that employment was with Sun?

20 A Yes, sir.

21 Q And are you familiar with the applica-  
22 tions under consideration here today and is the area covered  
23 by these applications within your area of responsibility at  
24 Sun as to reservoir matters?

25 A Yes, it is.

1           Q           And have you made a study of pertinent  
2 data relevant to these reservoirs and prepared or caused to  
3 be prepared under your direct supervision and control cer  
4 tain exhibits for presentation today?

5           A           Yes, I have.

6                       MR. JOYNER:   Mr. Stogner, we  
7 would ask is the witness qualified?

8                       MR. STOGNER:   Any objections?

9                       MR. CARR:   No objections.

10                      MR. STOGNER:   Mr. Smith, when  
11 did you receive your degree from Rolla?

12           A           December, 1979.

13                      MR. STOGNER:   Mr. Smith is so  
14 qualified.

15                      MR. JOYNER:   Thank you, sir.

16           Q           Mr. Smith, first of all, based on your  
17 review of production data in the area of the applications,  
18 have you reached a conclusion concerning the necessity of  
19 drilling a well at an unorthodox location as proposed by Mr.  
20 Hartman to adequately develop the Jalmat and Langlie Mattix  
21 pools in this area?

22           A           Yes, I have.

23           Q           What are those conclusions?

24                      MR. CARR:   I'm going to object.  
25 I don't think a proper foundation has been laid.

1 I would like -- I think it's  
2 essential before we can determine what he has based his  
3 opinion on to know what information he has reviewed.

4 MR. JOYNER: I have no problem.  
5 I will go along with that.

6 Q First of all, Mr. Smith, you've indicated  
7 you have reviewed the data in the area. Would you please  
8 proceed to discuss what data you've reviewed and identify  
9 the exhibits you've prepared and what is contained on those  
10 exhibits?

11 A Okay. First of all I've developed an  
12 Isopach map in the area in question, around the area in  
13 question in the southeast quarter of Section 25, 24 South,  
14 36 East, indicating these are the ultimate -- excuse me, the  
15 initial potentials of wells completed in the Langlie Mattix  
16 zone that were not hydraulically fractured or propped. The  
17 reason I selected these wells, that indicates in my opinion  
18 the true potential of the reservoir under natural condi-  
19 tions.

20 Basically what is shown is there is an  
21 area of low potentials in and around the quarter section in  
22 question surrounded by higher potentials, which follows  
23 along with the porosity development shown previously by geo-  
24 logic -- in the geologic testimony, excuse me, indicating  
25 that the initial potential in the Sun's proposed location,

1 which is an orthodox Langlie Mattix and Jalmat well as com-  
2 pared to the unorthodox Doyle Hartman well that we would  
3 anticipate a higher initial potential in the proposed Sun  
4 location, based upon previous completions.

5 Q I'm not sure I -- I might have missed  
6 this. Were these -- these were unstimulated initial poten-  
7 tials, is that right?

8 A Yes. Not unstimulated. The majority of  
9 the wells had cleanup acid jobs on them but they were not  
10 hydraulically fractured or propped.

11 Q All right, could you then indicate what  
12 is depicted on your next exhibit which you've identified as  
13 Exhibit D?

14 A Okay, this map over here is an ultimate  
15 primary recovery Isopach indicating recoveries from the Lan-  
16 glie Mattix within the area in question once again, showing  
17 again following the higher IP down in this section, we once  
18 again had higher ultimate primary recoveries around this  
19 low, coming back down around here, showing higher recovery  
20 to the west and north of the southeast quarter of Section  
21 25.

22 Now this would indicate the Langlie Mat-  
23 tix in the position where the unorthodox location is recom-  
24 mended would have approximately 13,000 barrels ultimate  
25 primary recovery where the Sun location would anticipate

1 somewhere in the high twenties, 28,000, (not understood)  
2 based upon projection.

3 Q How did you -- how did you determine the  
4 ultimate recovery that you -- that you used to contour your  
5 -- do your contouring and come up with your figures for the  
6 two proposed wells?

7 A Basically these wells are all -- if they  
8 were currently producing they were extrapolated to a 2-bar-  
9 rel a day economic limit just for consistency in mapping.  
10 Those wells that are producing less than 2-barrels a day, I  
11 truncated (sic) production at that point.

12 Up here to the north at the Cooper Jal  
13 Unit operated by Texaco, I went back to the time prior to  
14 unitization and initiation of water injection to find the  
15 rate these wells were producing at and extrapolated the  
16 rates out to that same economic limit because they have re-  
17 ceived secondary response in this area of the Langlie Mat  
18 tix.

19 Q Have you also reviewed the potentials to  
20 be expected from a reservoir standpoint, any reservoir data  
21 as to the Jalmat formation?

22 A Yes, sir. I wouldn't contest that this  
23 would be an economical well at this point in time. I just  
24 feel that the potential is higher to the west where you have  
25 higher porosity development; therefore a higher capacity for

1 hydrocarbons being in place; but, however, it would be a  
2 much better Langlie Mattix location.

3 Q So not to be repetitious, so what conclu-  
4 sion have you reached as to the proposed unorthodox location  
5 versus the -- a potential for a well to be drilled at an or-  
6 thodox location?

7 A It's my conclusion that as good or better  
8 a well in both horizons could be drilled at the orthodox Sun  
9 location as compared to the unorthodox Doyle Hartman.

10 Q In your opinion, Mr. Smith, would the  
11 granting of the Hartman application for an unorthodox loca-  
12 tion adequately protect the correlative rights of offsetting  
13 owners in the Langlie Mattix, and that's the only formation  
14 to which I'm directing this question?

15 A No, sir, I would not. The drainage  
16 radius which I -- was calculated at this point, I was basi-  
17 cally using J. J. Arps equation for primary recovery under  
18 solution gas drive. The radius of drainage anticipated for  
19 this well to cum 13,000 barrels of oil was based upon using  
20 an equation derived by J. J. Arps, and it's an approved API  
21 formula for solution gas drive reservoirs. That was done in  
22 order to determine the percent recovery from the area af-  
23 fected. It came out to be between 13 and 14 percent, which  
24 was then backed in to its radius of drainage, indicating  
25 that reserves would pass across the quarter quarter line.

1           Q           Would it be possible in view of the Doyle  
2 Hartman proposal to drill at that location for a Jalmat and  
3 a Langlie Mattix completion, or test, I believe, of the Jal-  
4 mat -- Langlie Mattix and possible completion there. Would  
5 it be possible for the offsetting owners to protect their  
6 correlative rights in the Langlie Mattix?

7           A           No, sir, not without the drilling of a  
8 Jalmat well. We feel under our current economic guidelines  
9 we could not drill a well for 28,000 barrels to that depth  
10 in the Langlie Mattix.

11          Q           So if I understand you correctly, in or-  
12 der to develop the Langlie Mattix, one must drill for both  
13 zones.

14          A           Under current economic guidelines, yes,  
15 sir.

16          Q           And so that in the event that Mr. Hart-  
17 man's application were granted allowing him to drill a Jal-  
18 mat well at this location, and the result being that the 200  
19 acres would be dedicated to that well, is that the basis  
20 upon which you say you couldn't develop the additional ac-  
21 reage?

22          A           Yes, sir.

23          Q           Mr. Smith, would the assessment of a pen-  
24 alty on production from the Langlie Mattix at the unorthodox  
25 location adequately protect the correlative rights of the

1 offset owners in the Langlie Mattix Pool?

2 A Not in the case where we could not afford  
3 to, not even -- not economically justify drilling a Langlie  
4 Mattix alone, a sole well, around the fact that we would not  
5 have any pressure point to create withdrawal, therefore lim-  
6 iting radius of penalty would just slow down the time it  
7 took to get the same barrels.

8 Q In other words a penalty is of no benefit  
9 if you can't drill a well to offset it, is that correct?

10 A As far as protecting correlative rights,  
11 yes, sir.

12 Q Therefore is it your opinion that the  
13 granting of the Hartman application for an unorthodox loca-  
14 tion, would it prevent waste and protect correlative rights  
15 as to the Langlie Mattix?

16 A No, sir.

17 MR. JOYNER: I have no further  
18 questions of this witness and tender him for cross examina-  
19 tion.

20 I also would ask that Exhibits C and D be  
21 admitted at this time.

22 MR. STOGNER: Any objections?

23 MR. CARR: No objections.

24 MR. STOGNER: Exhibits C and D  
25 will be admitted into evidence at this time.

1 Mr. Carr, your witness.

2  
3 CROSS EXAMINATION

4 BY MR. CARR:

5 Q Mr. Smith, Exhibit C is an Isopachous  
6 map.

7 A Yes, sir.

8 Q And you developed that based on certain  
9 information.

10 A Yes, sir.

11 Q And you got that information from various  
12 wells in the area.

13 A Yes, sir.

14 Q When you look at a well and are preparing  
15 an Isopachous map, what do you look for? What information  
16 do you get from a well that you then translate into this  
17 kind of a map?

18 A It depends on the parameter I'm looking  
19 at. Each one is Isopached on a different parameter. This  
20 is Isopached based on initial potentials reported on scout-  
21 ing tickets and this is based on production from the Langlie  
22 Mattix zone out of New Mexico State Annual Production Re-  
23 port.

24 Q When you talk about initial potential  
25 now, you -- do you take into consideration when those wells

1 might have been drilled?

2           A           Depending on the reservoir that you're  
3 dealing with, yes.

4           Q           Did you do that in this case?

5           A           No, sir. This is -- this is independent  
6 of time drilled. Based on the Langlie Mattix being an oil  
7 reservoir and allocated on 40-acre units, you assume that  
8 the pressure, that the area of drainage would be within that  
9 area of confine, as well as this well here that potentialled  
10 53 barrels a day was completed in '78, I believe.

11                           MR. STOGNER: What's "this well  
12 here"? I don't even see what you're pointing at.

13           A           I'm sorry, sir. The Harrison No. 2 in  
14 the southwest quarter of Section 25.

15           Q           In that particular well you didn't take  
16 into consideration whether or not there had been drainage  
17 there?

18           A           No, sir. The Harrison No. 2 in the  
19 southwest quarter of 25 was the only well that was produced  
20 from the Langlie Mattix in that quarter quarter section, the  
21 southeast of the southwest of 25.

22           Q           Okay, how long did that well produce oil?

23           A           That well has produced oil for a very  
24 short period of time and amassed a low cum, which, based on  
25 the initial potential, it was my conclusion that there was a

1 mechanical problem with that well and they left the zone due  
2 to economic -- other economic reasons.

3 Q Okay, so for that well then, you had to  
4 discount the information that you got from that particular  
5 well.

6 A For that ultimate primary recovery, be-  
7 cause I did not feel that a 53-barrel initial potential is  
8 indicative of a 1.2-thousand cum well.

9 Q So you did not rely on that initial  
10 potential in developing this map, is that right?

11 A This -- that had nothing to do with this  
12 map. It had to do with this map, the Exhibit D.

13 Q Now if I look at the line that traverses  
14 the subject acreage in a, oh, sort of from northeast to  
15 southwest, on which you've got the number 50 --

16 A Yes, sir.

17 Q What control did you have in Exhibit, I  
18 believe this is C, in placing that right where it is?

19 A The control that I used for placing the  
20 contour, the 50-barrel IP contour on Exhibit C was the Har-  
21 rison No. 2 in the southeast of the southwest.

22 Q And that's the well that you just stated  
23 that you had to --

24 A That's not the only well that controls.

25 Q All right, and what else? Now that's one

1 of them. I just want to see what else.

2 A Yes. Okay, the other wells were the Pet-  
3 co Well down in the southeast of the southwest of 36.  
4 We had the Shell No. 1 in the northeast of the northeast of  
5 36.

6 We have the VanZandt No. 1 in the north-  
7 east of the southeast of 25. You have the No. 4, the Wool-  
8 worth No. 4 Well in the northwest of the southwest of 30,  
9 and subsequent wells around.

10 Q And you have no well north of that line,  
11 north and west of that line where the number 50 appears, to  
12 provide you with control in placing that except the well  
13 that you've concluded had a mechanical problem.

14 A Up here in the -- excuse me. In the  
15 north half of Section 25, these wells up here were part of a  
16 extenuating circumstance that was granted by the Commission  
17 to be completed 250 feet above the top of the Queen reser-  
18 voir, which in my opinion wasn't what was in question in  
19 this part; however, these contours will follow into the po-  
20 tential those wells saw.

21 Q Now, if you have another engineer devel-  
22 oping this map on the same data, it's possible that that 50-  
23 foot contour could be moved to the north and west? Is that  
24 not correct?

25 A Possibly it could be moved to the north

1 and west. I do not feel it could be moved very much because  
2 of the control points of the Harrison No. 2, the VanZandt  
3 No. 1, and the Woolworth No. 4.

4 Q And if it moved just a couple hundred  
5 feet it would be the other side of Sun's proposed location.

6 A Yes, and this line would also be farther  
7 from the proposed Hartman position.

8 Q And so this is just simply your interpre-  
9 tation based on the control you had available.

10 A Yes, sir.

11 Q Now, as to the development of this ac-  
12 reage, if we go to your next exhibit hered, I believe you  
13 testified that you could not afford to dirll a Langlie Mat-  
14 tix well alone.

15 A Yes, sir.

16 Q And that would apply, also, if you  
17 drilled a 40-Acre Langlie Mattix well at your proposed loca-  
18 tion, it would be unlikely that Mr. Hartman could develop  
19 his Langlie Mattix rights economically.

20 A I have no way of saying tha.

21 Q You would just state that you could not  
22 only develop the Langlie Mattix.

23 A Yes, sir.

24 Q Perhaps Mr. Hartman could do a better job  
25 and do that.

1           A           Maybe not better; he might do it cheaper.  
2 I can't say.

3           Q           You don't know.

4           A           That's right. I do not know what econo-  
5 mic situation Doyle Hartman operates under.

6           Q           If his situation was the same as yours,  
7 he could not drill a --

8           A           Yes, sir.

9           Q           -- Langlie Mattix alone.

10          A           Yes, sir.

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

12                           MR. STOGNER: Mr. Joyner, redi-  
13 rect?

14                           MR. JOYNER: I have no further  
15 questions.

16                           MR. STOGNER: I have no ques-  
17 tions of this witness at this time.

18                           Okay, Mr. Joyner?

19                           MR. JOYNER: I have an  
20 additional witness now, Mr. Kim Bowen.

21

22

23

24                           BARRY KIM BOWEN,  
25 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. JOYNER:

Q           Would you state your name, by whom you're employed, and in what capacity?

A           My name is Barry Kim Bowen. I'm employed as a production engineer with Sun Exploration and Production Company, Midland, Texas.

Q           Have you previously testified before the OCD as a petroleum engineer?

A           No, I haven't.

Q           Therefore, could you please give a brief description of your educational and work background?

A           I have a Bachelor's degree in petroleum engineering from Texas A&M University in May of 1978.

I have been employed by Sun as a production engineer since May of '78.

I'm a member of SPE and am a Registered Professional Engineer in the State of Texas.

I have the responsibility for southeast New Mexico and portions of West Texas.

Q           Is that the area in which most of your work experience has occurred?

A           For the last year. I worked in Oklahoma for three and a half years and East Texas for a year.

1 Q And all that has been as a production en-  
2 gineer.

3 A As a production engineer.

4 Q And are you familiar with the application  
5 of Sun to dually complete the proposed well?

6 A Yes, sir.

7 Q And I believe you already stated this  
8 area is within your area of responsibility with Sun.

9 A Yes.

10 MR. JOYNER: Is the witness  
11 qualified?

12 MR. STOGNER: Any objections?

13 MR. CARR: No objection.

14 MR. STOGNER: Mr. Bowen?

15 A Yes.

16 MR. STOGNER: He is so quali-  
17 fied.

18 Q Mr. Bowen, how is Sun proposing to com-  
19 plete its well, if allowed to drill?

20 A We're planning on setting 9-5/8ths inch  
21 casing at 400 feet and surface casing; circulate cement to  
22 the surface; setting 7-inch production --

23 Q Mr. Bowen, before you go into that, hold  
24 it one second. Is it correct that we do intend to dually  
25 complete the well?

1 A Yes, sir.

2 Q And you have two exhibits on proposed com-  
3 pletions that you wish to discuss?

4 A Yes, sir.

5 Q Okay, why don't you proceed to what has  
6 been marked as Exhibit E and discuss what's contained on  
7 that?

8 A Okay. Run 9-7/8ths casing to 400 feet  
9 and circulate cement to surface and also 7-inch production  
10 casing at TD of approximately 3800 foot, cementing with 800  
11 sacks, estimated top of cement would be at the surface.

12 First completion would be in the Langlie  
13 Mattix; approximate perforations would be 3475 to 3650.

14 The Jalmat would next be perforated, ap-  
15 proximate perforations form 2927 to 3087.

16 Assuming that the -- both completions  
17 would be successful, a packer would be set at 3400 foot. If  
18 Jalmat would flow through the casing, one string of 2-3/8ths  
19 inch casing would be run so that the Langlie Mattix could be  
20 sucker rod pumped and the Jalmat would flow through the cas-  
21 ing.

22 If the Jalmat will not flow, then we  
23 would be running two strings of casing, I mean, excuse me,  
24 of tubing. An additional packer would be set above the Jal-  
25 mat. The Langlie Mattix would be sucker rod pumped through

1 the lower string of tubing and the Jalmat would be allowed  
2 to flow through the upper string or sucker rod pumped, if  
3 necessary due to loading.

4 Q And, Mr. Bowen, is it your understanding  
5 that we did this morning mail a copy of a Form C-107, which  
6 is an application to dual complete to the District office in  
7 Hobbs?

8 A Yes, sir, we did.

9 MR. JOYNER: That's all the  
10 questions I have of this witness. I tender him for cross  
11 examination.

12 I also request that Exhibit E  
13 be admitted at this time.

14 MR. STOGNER: Any objection?

15 MR. CARR: No objection.

16 MR. STOGNER: Exhibit E, as in  
17 Edward, will be admitted into evidence.

18 Mr. Carr, your witness.

19 MR. CARR: I have no questions.

20 MR. STOGNER: I have no witness  
21 -- I have no questions of Mr. Bowen.

22 Are there any questions of this  
23 witness?

24 If not, he may be excused.

25 Mr. Joyner, do you have any

1 other --

2 MR. JOYNER: I have nothing  
3 further.

4 MR. STOGNER: Mr. Carr, are you  
5 going to call any witnesses?

6 MR. CARR: I'm not going to  
7 call a witness. I am going to close with a statement.

8 MR. STOGNER: I believe we're  
9 ready for closing statements at this time.

10 Mr. Carr, I'll let you go  
11 first.

12 Mr. Joyner --

13 MR. CARR: Mr. Stogner, I pre-  
14 fer to go last being the original applicant in this case.

15 MR. JOYNER: I have no objec-  
16 tion to that, if that's his preference.

17 MR. STOGNER: Okay, Mr. Joyner,  
18 thank you.

19 MR. JOYNER: Mr. Examiner, I  
20 think the only matters in dispute now as to the two applica-  
21 tions that have been filed and for which you've had two days  
22 of hearing, is who will operate the nonstandard proration  
23 unit if it is approved; if a penalty will be assessed on any  
24 nonjoining working interest owner; what costs will be char-  
25 ged; and where will the well be located, and if it is lo-

1 cated on an unorthodox location should a penalty be asses-  
2 sed.

3 As to the first of the items,  
4 that was presented at a prior hearing. In addition, testi-  
5 mony today has shown that Sun is an experienced operator in  
6 the area, operating some 110 Jalmat and Langlie Mattix  
7 wells.

8 As to the unorthodox location,  
9 Sun believes that consisten with the conservation laws of  
10 the State of New Mexico and the rules and regulations of  
11 this office, that the burden is on the applicant to show  
12 that the location is required for geological or topographic  
13 reasons.

14 In my opinion, and I believe a  
15 review of the record will show that he has carried -- he has  
16 not carried the burden of proof as to either item.

17 In addition, Sun has shown that  
18 an orthodox location is actually at least as good, if not  
19 better, than that proposed by the applicant, that unorthodox  
20 location proposed by the applicant, and that the correlative  
21 rights of the Langlie Mattix owners offsetting the proposed  
22 unorthodox location would be violated if his application is  
23 granted and that waste would result.

24 For all of these reasons and  
25 the reasons stated in the testimony presented by our witnes-

1 ses in the two days, Sun respectfully requests that the  
2 Hartman application be denied in total and particularly as  
3 to the unorthodox location, and that Sun's application be  
4 granted.

5 MR. STOGNER: Thank you, Mr.  
6 Joyner.

7 Mr. Carr?

8 MR. CARR: May it please the  
9 Examiner, as Mr. Joyner indicated, really the central ques-  
10 tion before you today is who should be the operator of this  
11 unit.

12 I think there are several  
13 reasons why Mr. Hartman is the clear and only choice that  
14 the Commission can make if in fact they're to carry out  
15 their statutory duty to prevent waste and protect correla-  
16 tive rights of all interest owners in this pool.

17 Let's just look at the items  
18 that weigh in Mr. Hartman's favor.

19 First of all, as was spelled  
20 out in the prior hearing, Mr. Hartman's been attempting to  
21 develop the area for over nine years. He was the first in  
22 this area in terms of his efforts to develop the acreage.  
23 He was the first individual to file an application. We con-  
24 tinued the application. We attempted to get voluntary join-  
25 der from other interest owners, and the week before the

1 hearing on the 23rd of August, all of a sudden Sun comes in,  
2 files and application, and is interested.

3 They promptly after the hearing  
4 amend the application to include the acreage which we pro-  
5 pose, and we submit have now conceded that what we've been  
6 trying to do in terms of putting this unit together is cor-  
7 rect.

8 One thing that came out at the  
9 last hearing which remains before you is the fact that Mr.  
10 Hartman is the individual who will pay the largest share of  
11 the costs development of this acreage; Sun will not.

12 Hartman stands before you rep-  
13 resenting not just himself but he also represents ARCO and  
14 others.

15 But the thing that we think  
16 really controls here is that Mr. Hartman has a better track  
17 record in the area than any other operator. The number of  
18 wells you operate doesn't determine how well you operate  
19 them, and all right, they can come in and say, yes, we can  
20 do it for less, because they pay half to treat the well that  
21 Mr. Hartman does.

22 But if you go back to the re-  
23 cord in this case, you'll find that time and again Mr.  
24 Hartman has taken a prospect over, has reworked it, redeveloped it,  
25 and substantially increased its producing capabil-

1 ity, and in this record you'll find that there were a number  
2 of those properties that he acquired from Sun, redeveloped  
3 them, and he substantially improved their producing capaci-  
4 ties.

5                   The record shows that Mr. Hart-  
6 man has lower operating costs. This, with better performing  
7 wells, we think weighs substantially in his favor.

8                   Mr. Hartman only has pooled the  
9 Jalmat. He acquired by purchase from Sun in 1984 the Lan-  
10 glie Mattix rights, the rights they would now like to come  
11 before you with their proposed unorthodox -- their proposed  
12 location and prevent him from being able to economically de-  
13 velop.

14                   Mr. Smith isn't wrong that it's  
15 difficult, if not impossible, to economically develop the  
16 Langlie Mattix alone. It is for them; it is for us. They  
17 sold us the 40 acres in the Jalmat a year ago and now they  
18 want to come at the eleventh hour and structure this situa-  
19 tion so we cannot develop those reserves.

20                   Sun would have to pool Mr.  
21 Hartman in the Langlie Mattix where he has an interest  
22 there. We're not in that position. We have all the Langlie  
23 Mattix rights; all we seek is authority to develop them.

24                   In the prior case Mr. Walker  
25 admitted that both locations were good and his testimony be-

1 fore you here today he came in and stated that as you move  
2 to the west you get closer to the reef and your location is  
3 better.

4 But he also admitted that their  
5 well and our proposed location and their proposed location  
6 were on strike with each other and at the same elevation.

7 Mr. Hartman's testimony at the  
8 prior hearing stated that he has a better contract and can  
9 sell the gas for a higher price. This is going to result in  
10 a higher return to all interest owners, including the State  
11 of New Mexico.

12 We think it's interesting that  
13 when somebody's been in an area trying to develop a property  
14 for ten years, that he can come in with an application and  
15 promptly, after he files it and goes through a hearing in  
16 which he's opposed, that the party opposing will then change  
17 their application and basically agree with what he initially  
18 advanced as what Sun had done; not only did they come in  
19 with Mr. Walker's testimony that we just mentioned about the  
20 geology of the area, they came in and presented data indi-  
21 cating that they drawn Isopachous maps that showed that a  
22 line fell between Hartman's location and theirs that made  
23 theirs a better prospect, and yet everyone in this room  
24 knows it's a matter of interpretation and that the control  
25 that was available to Mr. Smith and he did with it what he

1 could, but that evidence, we submit, is nothing more than  
2 one individual's opinion which extremely limited control and  
3 should not be heavily weighed in your consideration.

4 We stand before you today sub-  
5 mitting that if you look at each thing that you look at to  
6 determine who can best develop this property in a fashion  
7 that will prevent waste, maximize recovery, protect the in-  
8 terests of all, Mr. Hartman is the man who can do it, and on  
9 the other hand you have someone who sat back, who let us do,  
10 who let us put it together. We've been through hearing and  
11 continuance trying to get here today where we can wrap this  
12 matter up, they laid behind the log and they came in and to-  
13 day have come in and not even been willing to abide by the  
14 agreement they made with you a month ago, and have acted  
15 here today, well, we submit they've acted just like Sun, and  
16 we think you have nothing to do in this case but to grant  
17 the application of Mr. Hartman.

18 MR. STOGNER: Thank you, Mr.  
19 Carr.

20 Anything further in either Case  
21 8748 or 8722 at this time?

22 We'll take these two cases un-  
23 der advisement. Within fourteen days I'd like for Mr. Joy-  
24 ner and Mr. Carr to submit rough draft orders in both these  
25 cases.



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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

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. \_\_\_\_\_, heard by me on \_\_\_\_\_ 19\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division