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 Doyle Hartman for compulsory pooling, Lea County, New Mexico. CASE 8769

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
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I N D E X

E X H I B I T S

MR. STOGNER: The hearing will come to order.

Call next Case Number 8769, which is the application of Doyle Hartman for compulsory pooling, Lea County, New Mexico.

We will now call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell & Black, P. A., of Santa Fe. We represent Mr. Hartman in this matter and have three witnesses.

MR. STOGNER: Are there any other appearances?

Will all three witnesses please stand and be sworn.

(Witnesses sworn.)

WILLIAM P. AYCOCK,

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

DIRECT EXAMINATION

BY MR. CARR:

Q Will you please state your full name and present residence?

A William P. Aycock, Midland, Texas.

Q Mr. Aycock, by whom are you employed and in what capacity?

A By Doyle Hartman as a consulting petroleum engineer in connection with Case 8769, Docket 36-85.

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

A I have.

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

A I am.

Q Are you familiar with the subject acreage?

A I am.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They are.

Q Mr. Aycock, will you briefly state what Mr. Hartman seeks in this case?

A Mr. Hartman seeks an order pooling all

the mineral interest from the surface to the base of the Langlie Mattix Pool underlying the southeast quarter northeast quarter, which is Unit H, of Section 26, Township 25 South, Range 37 East, to form a standard 40-acre oil spacing proration unit to be dedicated to a well to be drilled thereon.

Q Have you prepared certain exhibits for introduction in this case?

A I have.

Q Would you please refer to what has been marked for identification as Hartman Exhibit Number One, identify this, and review the information contained thereon?

A Exhibit Number One is an acreage ownership plat that shows the acreage in question that is described in the application. It shows the existing producing well, the Doyle Hartman Carlson Federal No. 2, located 1980 feet from the north and 660 feet from the east lines of Section 26, Township 25 South, Range 37 East, which is a Langlie Mattix Pool producer that was temporarily abandoned in January of 1973, and it shows the proposed infill location, the Doyle Hartman Carlson Federal No. 5, to be located 1750 feet from the north line and 990 feet from the east line of Section 26, Township 25 South, Range 37 East, and also to be completed in the Langlie Mattix Pool.

In addition, it shows the nearby produc-

ing wells that are consequent to this application as well as showing the pre-existing lease that was put on for the 40-acre proration unit that comprises the southeast quarter of the southeast quarter of Section 23, that includes a similar situation in which the original producer was the Doyle Hartman Carlson Federal No. 3, located 660 feet from the south and east lines of Section 23, Township 25 South, Range 37 East, in the Langlie Mattix Pool, and the infillo producer, the Doyle Hartman Carlson Federal -- Carlson No. 4, located 990 from the south and 990 from the east line of Section 23, Township 25 South, Range 37 East, in the Langlie Mattix Pool, and a great deal of the testimony and the information that will be presented in today's case has previously been presented in that case and that case was Case --

MR. CARR: Mr. Examiner, that case was Case 8668, which was --

A Right.

MR. CARR: -- presented on July 31st of this year, resulted in Order R-8031, which was entered on September 27, 1985.

We'd ask that you take administrative note of that case. That case is actually, virtually identical to this one, inasmuch as it was to pool a 40-acre tract for an infill Langlie Mattix Well and the only interest owner being pooled in that case was Howard Olson, who is

the same individual being pooled in this case pursuant to the terms of the identical lease arrangement.

MR. STOGNER: I will take administrative note of Case Number 8668 and the subsequent Order R-8031.

Q Mr. Aycock, would you review the information on this exhibit as to the other wells in the immediate area, and here I'd ask that you focus on the future recoveries that are estimated for these wells.

A If you will note that the original -- the 8668 case is important as it establishes a predicate for the rest of the information that will be presented here, and you will note that the negative reciprocal slope of the graph of BHP/z as a function of cumulative gas production is 2.29 MMCF per psi on the original well.

The reason that the Carlson Federal No. 4 was drilled was because of that low number for reciprocated sign change slope of the BHP/z curve as compared to the wells that basically offset both properties to the east and southeast.

Those properties are, with the indicated nature of reciprocal slope of the BHP/z as a function of cumulative gas (not understood) the Amerada Hess Ida Wimberly No. 11, located 1980 feet from the south and 660 feet from the west line of Section 24, Township 25 South, Range

East, in the Langlie Mattix Pool, located northeast of the current application, the reciprocated sign change slope of the BHP/z as a function of cum gas data give us 12.73 MMCF per psi.

The next well to the south is the -- which is a diagonal north offset to the -- diagonal northeast offset to the section in which the application -- for which the application has been made, is the Amerada Hess Ida Wimberly No. 13, located 330 feet from the south and 330 feet from the west line of Section 24, Township 25 South, Range 37 East, and the sign change reciprocated slope of the BHP/z as a function of cumulative gas graph is 16.16 MMCF per psi.

And then to the southeast we have the El Paso Natural Gas Company Carlson "A" Federal No. 2, located 660 feet from the south and 660 feet from the west line of Section 25, Township 25 South, Range 37 East in the Langlie Mattix Pool, and the sign change reciprocated slope of the BHP/z as a function of cum gas graph is 10.3 MMCF per psi.

The reason for the drilling of both the Carlson Federal 4 and the proposed Carlson Federal No. 5, which is the subject of this application, is because the slopes of these curves and the fact that there is no production on the 40-acre tract that is the subject of the current application, there is no production and the well slope of

the curves for the wells to the southeast, east, and northeast of the subject tract indicate that there is substantial reserves still in the Langlie Mattix and, in fact, it is being drained by the production from these wells, that forms the predicate for the application.

Q Mr. Aycock, if the wells are not drilled will the correlative rights of the interest owners in those tracts be adversely affected?

A They will be because the reservoir pressure is low enough that unless timely development occurs the reservoir pressure will be to the point that there will be no remaining reserves or their recovery would be prolonged or impossible, so that if it's not done rather expeditiously, there's no sense in doing it at all.

Q Now I'd like to direct your attention to the prior pooling case and the acreage in the southeast quarter of the southeast quarter of Section 23.

The original Langlie Mattix well on that pool produced for some period of time, I believe.

A It did.

Q Do you have any idea what the prior production from that well was?

A Yes, I do, if you'll give me a moment to refer to the hearing file for that hearing, I can tell you.

As of May 1st, 1985, the cumulative pro-

duction for the Doyle Hartman Carlson Federal No. 3, which is located 660 from the south and 660 from the east line of Section 23, Township 25 South, Range 37 East, was 1,496 MMCF, and it produced during the months of January through April of 1985 an average production of 36 MCF of gas per day.

Q Now, Mr. Aycock, has Mr. Hartman concluded the Carlson No. 4 on that 40-acre tract?

A Yes, he has.

Q And what kind of a well has he been able to make at that location?

A An attractive Langlie Mattix very commercial gas well.

Q Would you now refer to what has been marked for identification as Hartman Exhibit Number Two and identify this and review it, please?

A Exhibit Number Two is a structure map on top of the Penrose Sand. As the Examiner is aware, the Langlie Mattix pool is composed of the Queen and Penrose zones and the top of the Penrose is adequate to depict the structural situation in the vicinity of the proposed location.

The structure map shows the traces of two cross sections, which will be subsequently presented as exhibits. It shows that we have a small closure here that

trends either almost due north/south or slightly northwest/southeast on top of the Penrose Sand, and it shows that the tract that is the subject of this application lies near the southwestern side of that area and approximately 125 feet above the original gas/oil contact, which is located to the west and the southwest.

In viewing this map you need to be aware that the potential development matrix in this area for the Langlie Mattix are twofold and both of these matters have been dwelt on in detail in the transcript of the previous hearing, and I will not impose upon the Examiner's time by reciting those, but I would request that he take particular note of the testimony in the -- in this previous case as to the risk factors.

They are water production due to water injection into the gas reservoirs in the vicinity of the gas/oil contact located to the west and southwest; and completion problems with the low reservoir presssures in both the subject zones, those being the Penrose Sand and the Queen Sand. All of these problems were discussed at some length in the previous case and there is also the possibility in some of the wells that were drilled to the San Andres of having water flow, cross flow, up from the San Andres into any of these zones if they were not properly cemented or properly plugged.

Q Mr. Aycock, are you prepared to make a recommendation to Mr. Stogner as to the risk penalty that should be assessed against any interest owner who does not voluntarily participate in the drilling of this well?

A As was documented in Case 8668 and was approved by the Commission in the order, we recommend a 200 percent risk penalty for nonjoining parties.

Q Now this exhibit also contains traces for your subsequent cross sections.

A It does.

Q Would you now go to Exhibit Three, your cross section A-A', and briefly review that for Mr. Stogner?

A Exhibit Three is cross section A-A', which is a north/south cross section, and if you will refer to Exhibit Two you will notice that it passes through the pre-existing well that's on the tract that is the subject of this application, and also includes both the pre-existing and infill wells that were drilled on the southeast quarter of the southeast quarter of Section 23 and were the subject of Case 8668.

Without -- without going into great, tremendous detail as to the -- on -- on each well, the cross section substantiates beyond doubt that all of the Langlie Mattix zones were originally gas-bearing and would produce gas at attractive rates; and it shows that the Hartman Carl-

son Federal No. 4, which was completed in September 20th, 1985, through perforations between depths of 2946 and 3161 feet, had an initial flowing potential of 577 MCF per day, although it is located on the same proration unit with a well that was producing -- produced during the first four months of 1985 at about 36 to 38 MCF per day, so this well alone illustrates that the hypothesis that there are substantial remaining commercially recoverable gas reserves in both the Penrose and Queen portions of the Langlie Mattix Pool within the area of this application can be documented.

The rest of the north/south cross section simply serves to show that all the gas had been produced at various rates from all of the wells and it has been quite attractive in the vicinity of the -- of the application well in the past.

I won't go into all the details because I think the Examiner is able to review this at his leisure, but I believe that it will document the fact that all of these zones did produce gas, are gas-bearing, and are certainly able to produce gas at attractive, commercial rates upon development.

Q Will you now refer to Hartman Exhibit Number Four, your B-B' cross section, and discuss this for Mr. Stogner?

A Cross section B-B' is a northwest/south-

east cross section that ties into Exhibit Three, cross section A-A', at the previous producer on the application tract, that being the Doyle Hartman Carlson Federal No. 2, located 1980 feet from the north and 660 feet from the east line of Section 26, Township 25 South, Range 37 East.

We would ask the Examiner to note particularly that the shut-in wellhead pressure of this well is 64 psi at the present time.

Exhibit Four will serve to document similar type information to what has been discussed for Exhibit Three, and that is that all of the wells for which the Langlie Mattix zones have been tested within the area have proven to be productive of either gas or oil, depending upon the dates at which they were -- the wells to the northeast were back in the thirties and one of them was completed for a gas well and another was completed for an oil well, the first two on the cross section. The next two were completed as oil wells and the rest of them have been oil and gas, but you will find that basically in the area now that we're talking about, gas is the remaining recoverable hydrocarbon product in both of the Langlie Mattix zones.

This also shows that over a period of time that stretches from the thirties through the contemporaneous (sic) time there has been, not continuous, but sporadic development of these Langlie Mattix zones in response to

the varying economic factors.

Q Would you now just briefly summarize the conclusions you've reached concerning this proposal based on your study of the immediate area?

A The proposed location is on the flank of a small closure that is contained within a larger north/south trend. The indications are that the porosity and permeability of the zones are quite good when they're properly stimulated, because based upon the results that Mr. Hartman has achieved a half a mile north on his Carlson Federal 4, he is able to complete a new well that would make 577 MCF per day on potential when it's located on the same 40-acre tract as a well that's producing 36 MCF per day from the same zones.

We know that there is -- that there is the risk of some water production in the area because of the injection that has taken place to the northeast, in particular on, at or about the original gas/oil contact for the Langlie Mattix zones.

We know that the reservoir pressure is low, as we discussed, the shut-in wellhead pressure for the existing Carlson Federal No. 2 of 164 psi, and as we delve into at some length in the transcript of Case 8668, the presence of low reservoir pressures can lead to significant risks in the drilling and completion of the wells.

So my conclusion is the following: That there are commercially recoverable gas reserves remaining in the Langlie Mattix Pool at the area of the application well; that these reserves cannot be recovered without redevelopment, based upon the experience a half a mile north with the previous Case 8668; that I would anticipate the probability that if a well is completed successfully in the Langlie Mattix, it will be an attractive producer, but there are risk factors associated with the production that have to do with the mechanics of drilling and completing wells in low pressure reservoirs and the fact that you cannot define exactly where the water that has been injected will go within these zones. It probably will not be at these locations but there is a possibility that you could produce significant water.

And as a result of all this, I recommend a 200 percent risk factor for non-joining parties and believe that the well will, if completed, will lead to an attractive commercial well in the Langlie Mattix zones.

Q Mr. Aycock, would you now go to Hartman Exhibit Number Five, the production tabulation, and briefly review that for the examiner?

A Exhibit Number Five is composed of production tabulations with rate/time graphs and BHP/z as a function of cumulative gas graphs for wells that are located on the cross sections that are Exhibit Three and Exhibit

Four.

The first one that's presented is the Cities Service Dabbs No. 1, located in Unit B of Section 23. As you will recall, it was the first -- the lefthand well on Exhibit -- on cross section B-B', which was Exhibit Four.

You'll notice that prior to it being converted to water injection as the Langlie Mattix Queen Unit No. 31, and deepened, that there is an apparent -- starting in 1953 there is an apparent reversal of the established -- well, it's actually before that, there was -- there was a trend of low pressures and then slowly, over the years it built up until 195 -- we've got a skip here -- okay, the first one's that available was in 1949; it's 528 psi, and these are in reverse order is the way you have to view them, and the pressure did not decline very much and then it dropped rather rapidly, and the last one that was available was back in '69, and it was 128 psi at that time, and you can review the rate/time curve and you will notice that there is, since 1960, until it was -- until it ceased in 1969, with the exception of 1964, it was -- it was a somewhat erratic but fairly uniform rate/time curve and there is a pretty well established BHP/z trend that's -- that would indicate an extrapolated value of about somewhere in the vicinity of 6.5 to 6.7 BCF original gas in place.

The next one that's listed would be the Cities Service Dabbs No. 2, which is now the Mobil Langlie Mattix Queen Unit No. 35, and it's located in Unit E of Section 23, and it's also been converted to water injection.

And since it was an oil well, there are no pressures available and -- but the gas production is graphed from '59 through '68, and you'll notice a very gradual, fairly regular decline in gas productivity as would be anticipated.

The next well is the Carlson Federal No. 3, the El Paso Carlson Federal No. 3, that is located in Section 23, also, and that well has accumulated approximately 1.1 BCF of gas from initial time through June of 1985, and is producing at plus or minus 120 to 180 MCF per month.

It does not show much decline on the rate/time curve, and it shows a very gradual reciprocated slope of 4.3 MMCF per psi on the BHP/z as a function of cum gas curve.

The next well that's tabulated is the Hartman Carlson Federal No. 3, which is the pre-existing well that was -- that is located -- it's the third well from the right -- left side of cross section A-A', which is Exhibit Three, and you'll notice that that well, as of July 1st, 1985, had produced approximately 1.5 BCF of gas and was producing at about a million cubic feet a month, or a little

over 30 MCF a day.

It's had an irregular but rather -- but it gyrates around approximately a million cubic feet per month and has since 1974, and as we previously stated, the reciprocated sign changed slope of the BHP/z as a function of cum gas, 2.15 MMCF per psi.

The next well would be the Ida Wimberly No. 16, which we've previously discussed.

The Ida Wimberly No. 16 is located in Section 25, Township 35 South, Range 37 East, and it has produced an accumulative production of 1.16 BCF as of July 1st, 1985, and is producing at about 100 MCF per month; has a well defined decline trend on the rate -- gas rate/time and has a reciprocated sign change slope fo the BHP/z as a function of cumulative gas graph of 15.55 MMCF, indicating that although the rates are low it is ineffectively draining a large area.

The next well is the Amerada Hess Ida Wimberly No. 14, located in Section 25, Township 25 South, Range 37 East, in Unit G. It has accumulated approximately 600-million cubic feet of gas as of July 1st, 1985, and is producing at about 900 -- producing between 900 and 1000, a million cubic feet per month, and the rate/time curve indicates a very regular, with the exception of the year 1983, it's been a very regular curve at about a million cubic feet

a month average, and the graph of BHP/z as a function of cumulative gas production yields a sign change reciprocated slope of 8.5 MMCF per psi, indicating once again that although it is declining at a low rate of decline, it is ineffectively draining a rather large area.

The next well is the El Paso Natural Gas Company Carlson "A" Federal No. 2, located in Unit M of Section 25, Township 25 South, Range 37 East. It has accumulated approximately 2.2 BCF of gas production as of July 1st, 1985, and was producing at about 3.2 million cubic feet per month.

The rate/time curve has an irregular downward, very gradual slope, and the slope of the BHP/z as a function of cumulative gas production when reciprocated and with the sign change, is 10.33 MMCF per psi, as we previously testified.

Then we have the Amerada Hess Ida Wimberly No. 1, located in Unit A of Section 26, Township 25 South, Range 37 East.

The cumulative gas production is low. We did not add it up. It's an erratic downward curve during the time it was on production as far as the rate/time is concerned and the BHP/z as a function of cumulative gas curve has a reciprocated sign change slope of only 3.96 MMCF per psi, indicating that it was not draining a very large

area and was ineffectively draining it, as well.

The Terra Carlson Federal No. 1 operated by Doyle Hartman is located in Unit C of Section 26, Township 25 South, Range 37 East, and has a cumulated since initial production approximately 2.9 BCF of gas and was producing between -- has produced as high as 4-million cubic feet per month within the year prior to July 1st, 1985, and was producing approximately an average of around 3.3-million cubic feet per month; has a definite downward, defined downward trend on the rate/time curve and there is no BHP/z data available to plot a -- to determine the slope of that curve.

The Santa Fe Energy Carlson "B" 26 No. 4 is located in 26-I, 25 South, 37 East. It has accumulated 1.4 BCF of gas production as of July 1st of 1985. It is producing at between 560 and 720 MCF per month with a very slight downward trend to the rate/time curve and with a reciprocated sign change slope of the BHP/z as a function of cumulative gas curve of only 5.5 MMCF per psi, indicating once again that it is not draining a very large area and is not draining it very effectively.

Q Mr. Aycock, what is the estimated cost of the proposed well?

A We are using the same AFE for this as we did for Case 8668, which indicates the cost of a producing well at $390,000 and a dry hole at $142,000.

Q Are these --

A And that is with contingencies. With a routine well with no contingencies the drilling -- the completed cost would be $329,000.

Q And these costs are in line with the costs for other wells in the area?

A They're in line with Mr. Hartman's current experience as the most active operator in the Jalmat-Langlie Mattix trend at the present time.

Q Have you made an estimate of the overhead and administrative costs to be assessed while drilling this well and also while --

A Yes.

Q -- producing it?

A $550 per month while producing and $5500 per month while drilling.

Q Are these the figures that were authorized by the Commission in Order R- -- or in the prior order for the acreage to the north?

A For Case 8668, yes, they were.

Q And do you recommend that these figures be included in any order which results from today's hearing?

A I do.

Q Mr. Aycock, does Mr. Hartman request to be designated operator of the proposed unit and well?

A He does.

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

A I believe it would.

Q Will we call another witness to discuss land matters and efforts to obtain voluntary joinder?

A Yes, we will.

MR. CARR: At this time, Mr. Stogner, we would offer into evidence Hartman Exhibits One through Five.

MR. STOGNER: Exhibits One through Five will be admitted into evidence.

Q Mr. Aycock, when does Mr. Hartman plan to drill this well?

A As soon as possible. We'd like to complete it before year end, if possible.

Q And therefore do we request that the order be expedited?

A We would appreciate it very much.

MR. CARR: I have nothing further of Mr. Aycock.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Aycock, on all the production summaries you've given me here, it would be easy to say this proposed well would be offsetting some pretty good producers, would it not?

A Yes.

Q Has Hartman in the past joined anybody else in overhead charges of $5500 while drilling and $550 while producing?

A I'm not aware that he has but the reason he hasn't, there just never has been an occasion to do it. Of all the things he's been associated with for about four of the six years that I've been doing work for him, the only ones that have been an exception to this have been deep wells; have been Morrow or Atoka wells, and those were, you know, that's -- that is five or six year old history.

Since that time he has not participated, to my knowledge, in any of these shallow wells with another operator. He's been the operator of everything that he's participated in.

MR. STOGNER: I have o further questions of Mr. Aycock.

Is there anything further of this witness?

MR. CARR: Nothing further.

MR. STOGNER: Mr. Aycock may be excused.

MR. CARR: At this time I'd call Miss Sutton.

RUTH SUTTON,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A Ruth Sutton, Midland, Texas.

Q Miss Sutton, by whom are you employed and in what capacity?

A By Doyle Hartman as a landman.

Q Have you previously tstified before this Division and had your credentials as a landman 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. Hartman?

A Yes.

Q Are you familiar with the subject acreage?

A Yes.

MR. CARR: Are the witness' qualifications acceptable?

MR. STOGNER: They are.

Q Miss Sutton, would you refer to what has been marked for identification as Hartman Exhibit Number Six, identify this, and review it for Mr. Stogner?

A This is a packet of our correspondence with Mr. Olson, the other interest owner, between the dates of January 24th and October 4th, '85.

This acreage in this lease is the same Federal lease as that in our Case 8668, which we've talked about earlier, and on July 30, the day before the hearing for that case, Mr. Olson called us and said he had decided to farmout but subsequent to that, before we could send an agreement, he decided to sell all of his interest to Mr. Hartman and in this packet is a partial assignment and Bill of Sale which was furnished to Mr. Olson on September 20th, '85; however, we still don't have that signed back, which is, of course, why we're here.

Mr. Olson travels extensively and is frequently out of the country for long periods of time, so we don't have much contact. That's why we had to go ahead with

our hearing, because we do have this well for our year-end drilling plans and would like to drill it in (not understood).

Q And if an agreement is received back from Mr. Olson you would immediately advise the Division that the pooling order --

A Yes, sir.

Q -- was unnecessary.

In your opinion has Mr. Hartman made a good faith effort to obtain Mr. Olson's voluntary joinder in this well?

A Yes.

Q Could you identify what has been marked as Hartman's Exhibit Number Seven, please?

A This is a letter dated November 11 notifying Mr. Olson of this hearing and the one you have does not have a return receipt but Mr. Stogner, here it is, appended to that.

Q So we have received a return receipt on this letter?

A Yes.

Q Were Exhibits Six and Seven either prepared by you or compiled under your direction and supervision?

A Yes.

MR. CARR: At this time, Mr. Stogner, we would offer into evidence Hartman Exhibits Six and Seven.

MR. STOGNER: Exhibits Six and Seven will be admitted into evidence.

MR. CARR: And I have no further questions of Miss Sutton.

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

If not, she may be excused.

MR. CARR: At this time I call Bob Strand.

ROBERT H. STRAND,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A Robert H. Strand, Roswell, New Mexico.

Q Mr. Strand, by whom are you employed and in what capacity?

A I'm an attorney with the firm of Atwood,

Malone, Mann, and Turner in Roswell.

Q Are you employed in this case by Mr. Hartman?

A Yes, I am.

Q What have you been asked to do for Mr. Hartman in regard to this case?

A As part of this case, as well as the prior case, Case 8669, I believe it is, I was retained by Mr. Hartman to examine title to these leases and examine various other instruments relating to the lands involved.

Q And have you made that review?

A Yes, I have.

Q And you're familiar with the application filed in this case on behalf of Mr. Hartman?

A Yes, I am.

Q Mr. Strand, would you advise Mr. Stogner of what conclusions you have reached as a result of your work as to the status of the ownership under the 40-acre tract which is the subject of today's hearing?

A The operating rights involved under this tract, as well as the tract involved in the prior hearing, are owned of record 75 percent by Doyle Hartman and other persons associated with him, and 25 percent by R. Howard Olson.

Q Would you identify what has been marked

as Hartman Exhibit Number Six and explain to Mr. Stogner why this document has been included in this -- in the exhibits presented in this case?

A Mr. Hartman purchased his share of the operating rights under this particular tract from Sun Exploration and Production Company, I believe, in May of 1984.

At that -- subsequent to that purchase and to the drilling of the prior well, there was some question raised as to what operating agreement, if any, was effective as to these lands. This particular contract, designated as a drilling contract, being Exhibit Number Six, was provided to Mr. Hartman from Sun's files.

Q That's Exhibit Number Eight.

A Number Eight.

Q Yes.

A From Sun Exploration and Production Company's files with some indication from them that they felt that this was the operating agreement, as such, covering these lands.

I reviewed this agreement and it does not appear to me to cover the lands involved or the intervals, and as best we can determine at this point in time, there is no formal operating agreement of any type covering these lands.

Q And so the way to bring this acreage in, absent a new agreement with Mr. Olson, is to come seeking a pooling order.

A Yes.

MR. CARR: At this time, Mr. Stogner, I would move the admission of Exhibit Number Eight, which is a copy of the drilling contract about which Mr. Strand testified.

MR. STOGNER: Exhibit Number Eight will be admitted into evidence.

MR. CARR: And I have no further questions of this witness.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Strand, when did this document become in effect?

A Mr. Stogner, I don't believe it ever was effective. It does not cover the lands involved.

Q Okay. I have no further witnesses of Mr. Strand -- I mean no further questions of Mr. Strand.

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

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

MR. STOGNER: If not, he may be excused.

Anything further in Case 8769?

MR. CARR: Mr. Stogner, I have a proposed order to offer and would request that you expedite the order in this case as soon as possible.

MR. STOGNER: Thank you, Mr. Carr.

MR. CARR: And I have nothing further in this case.

MR. STOGNER: Does anybody else have anything further in 8769?

If not, this case will be taken under advisement.

(Hearing concluded.)

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. 8769, heard by me on 21 November 1985.

Michael E. Stogner, Examiner
Oil Conservation Division