STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	)	
APPLICATION OF RB OPERATING COMPANY FOR DIRECTIONAL DRILLING AND AN UNORTHODOX SURFACE AND SUBSURFACE LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO	)	CASE NOS. 13,471
APPLICATION OF RB OPERATING COMPANY FOR AN UNORTHODOX OIL WELL LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO	)	and 13,472
	)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

2005 MAY 5 AM 7 25

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 21st, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, April 21st, 2005, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

April 21st, 2005
Examiner Hearing
CASE NOS. 13,471 and 13,472 (Consolidated)

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E X H I B I T S

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A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
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P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

WHEREUPON, the following proceedings were had at 9:25 a.m.:

EXAMINER CATANACH: At this time I'll call Case 13,471, the Application of RB Operating Company for directional drilling and an unorthodox surface and subsurface location and simultaneous dedication, Eddy County, New Mexico.

Call for appearances.

MR. KELLAHIN: If it please the Examiner, my name is Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin. I'm appearing on behalf of the Applicant, and I will have two [*sic*] witnesses to be sworn.

In addition, for purposes of presentation of the exhibits and the testimony we would ask that you consolidate this case with the subsequent case that's currently set on your docket.

EXAMINER CATANACH: At this time I will call Case 13,472, the Application of RB Operating Company for an unorthodox oil well location and simultaneous dedication, Eddy County, New Mexico.

Call for additional appearances in either of these cases. Let the record show there are no additional appearances.

Mr. Kellahin, you may proceed. Let me get the witnesses to stand and be sworn in.

(Thereupon, the witnesses were sworn.)

MR. KELLAHIN: Mr. Examiner, with your permission I'd like to refer you to this document, which is a photocopy of the locator map that RB Operating used in a case these three gentlemen and I presented to Examiner Jones back in November 4th of last year.

Subsequent to this plat, we've attached a copy of the order that Mr. Jones entered in that case. It's Order Number R-12,246. The reason I'm showing you this is, the two cases you're about to see are in this same vicinity and involve a different combination of some of this property, so it would be a visual reference for you to see what was done in November and so we can explain to you within that context what RB Operating proposes to do with these two additional cases.

The plan here is one where we have 40-acre oil wells in the -- I lost track of my pool. What is it, Bobby? The Bone Springs --

MR. EMERY: No, the East Loving --

THE WITNESS: East Loving field.

MR. KELLAHIN: -- Brushy Canyon. And what we've done in the past is, because of the 40-acre oil spacing, there leaves a point where these four 40-acre tracts intersect that represents an opportunity for what we will call an increased-density well.

Our past practice was, in conversations with Mr. Stogner, we had two options: one, trying to create a nonstandard proration unit, or, in the alternative, putting this well within an existing 40-acre spacing unit and calling it a nonstandard location and having a second well in the 40-acre tract.

It was Mr. Stogner's preference not to create nonstandard proration units, and so we have proceeded with the alternative plan of presenting to you cases for nonstandard locations.

In order to consolidate the interest owners so that they could share in this increased-density well, Mr. Ebeier, for RB Operating as the landman, has prepared documents, has obtained the agreement of all the interest owners concerning taking 10 acres out of each of the 40s and calling it what he calls a drilling unit, which is not to be confused what you and I would call a spacing unit.

The only -- of all these cases you're about to see, only the Bureau of Land Management has yet to sign off on the documents, and we will show you that we've made filing of all those things with the BLM. And with the exception of the BLM, as to the well located in Section 14, we have signatures from all the interest owners that will share in the production.

And as will be explained in the testimony, the

production from this increased-density well is going to remain separate from production in the other wells within the area. That means to be that an original well will continue to be produced and shared among the owners of that spacing unit.

As to this increased-density well, the equities involved in that production will be shared among the owners in what we've called the drilling unit.

One of these cases does involve a directional drilling component, and we've selected to present that to you this morning. The directional drilling is being done to accommodate surface use in the area, so that we accommodate the surface owner.

With that introduction, Mr. Examiner, we would like to proceed with our first witness.

EXAMINER CATANACH: Okay.

ROBERT EBEIER,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation?

A. Robert Ebeier, I'm a senior landman with RB Operating Company, Forth Worth, Texas.

Q. Mr. Ebeier, on a prior occasion did you testify

before the Oil Conservation Division as a landman?

A. Yes, sir, I did.

Q. In fact, you testified back in November before Examiner Jones in the companion cases that I've described to Mr. Catanach this morning?

A. Yes, sir, I did.

Q. And pursuant to your employment by RB Operating, have you continued to execute your duties in terms of trying to consolidate the interest owners in these two project areas and get their voluntary cooperation to a procedure for drilling and producing these two additional wells?

A. Yes, sir, I have.

MR. KELLAHIN: With your permission, Mr. Catanach, we would tender Mr. Ebeier as an expert petroleum landman.

EXAMINER CATANACH: He is so qualified.

THE WITNESS: Thank you.

MR. KELLAHIN: There's an additional map, Mr. Catanach, that we have provided to you, that's unmarked. We are simply using it for a locator map so that you can track the two cases as we present them together. It is on the larger format, it's the 8-1/2-by-17 plat.

Q. (By Mr. Kellahin) Let's start with that handout, Mr. Ebeier, and have you start in Section 14. Identify for

us what you're trying to do here.

A. Well, in Section 14 we have two 80-acre tracts with unique ownership, and what we tried to do was combine these two tracts to form this -- what we call a drilling unit. The tract that's colored blue is federal acreage, and the tract that's red is fee acreage.

And the federal lease covering the blue acreage is a 1/8-royalty lease, I want to say maybe 1964 vintage, oil and gas lease, that covers this 80-acre tract in addition to several other sections, maybe -- cumulatively, maybe 2000 acres.

The fee acreage in red, the ownership is -- like I say, it is fee acreage. The royalties vary, but generally they're 3/16 royalty, and they probably have maybe 25 to 35 owners.

In Section 23 -- Do we want to talk about Section 23?

Q. Yeah, let's --

A. Section 23, the two 80-acre tracts are both fee tracts. There's no federal or state acreage there. The vintage of the oil and gas leases are back in the 1970s, late 1970s. The ownership -- the royalty ownership, is generally 3/16 royalty. Each tract has roughly 25 to 30 owners.

Q. Mr. Ebeier, let's start with having you describe

to Mr. Catanach the relationship between RB Operating and Range Resources Corporation.

A. Yes, RB Operating Company is a wholly owned subsidiary of Range Resources Corporation, out of Fort Worth, Texas.

Q. For purposes of these Applications, then, we're dealing with the operating company, RB Operating Company, as the Applicant and the desired operator of the properties?

A. That is correct.

Q. It would appear that these wells are in the East Loving-Brushy Canyon Pool; is that your understanding?

A. Yes, sir.

Q. And you've identified these two project areas. What is your understanding of the reasons for these increased-density wells in these two project areas?

A. Well, we're trying to drill -- capture reserves that would not ordinarily be captured by the offset -- existing offset producing wells.

Q. Are you currently doing this pursuant to Division-approved orders that allow you to operate projects similar to the two that Mr. Catanach has before him this morning?

A. Yes, sir.

Q. What is the current status of your efforts on the

two wells that were approved by Mr. Jones back at the November hearing?

A. Well the status of it, I mean, we of course have our order, and prior to that I did similar work. We constructed an agreement, contacted all of the interest owners in the acreage that compiled the -- what we call the drilling unit, probably 30, 35 owners each, and they consist of working interests, overriding royalty interests, and royalty interests. And basically we contacted them to say, Hey, we want to drill this well; we would like your permission; if you don't have any objections, please sign the agreement.

And we received 100-percent approval on both of our infill wells, our Carrasco 14-4 and our South Culebra Bluff 23 Number 15 well.

Q. For the two wells involved in the two project areas before Mr. Catanach, do you now have voluntary agreement from all categories of ownership, with the exception of the Bureau of Land Management?

A. I do.

Q. Let's turn now, Mr. Ebeier, to the package of documents that we have marked for the first case, involving portions of the northwest quarter -- the northeast quarter, of Section 14. Let's look at the plat that's marked as Exhibit Number 1, Mr. Ebeier, and show us the approximate

location of the proposed increased-density well.

A. The approximate location is in the 40-acre tract marked -- colored purple. I would say it's the southeast of the northeast quarter of Section 14.

Q. Using the Division nomenclature, that's going to be in unit letter H? Yeah, unit letter H of --

A. Yes, sir --

Q. -- that section.

A. -- that's correct.

Q. And it will be located on the same spacing unit with what original well?

A. We call that the Carrasco 14 Number 3 well.

Q. For purposes of obtaining your agreement, generally describe for us what are the key components of the agreement we're about to look at.

A. Well, the agreement is an agreement such that it was sent to all of the interest owners, like I said, the working interest owners, the overriding royalty interest owners, and the royalty owners. It gives us permission to drill this well. It allows them to object, obviously, if they didn't want to sign it, but we have 100-percent approval, with the exception of the US acreage, federal acreage, in the north half of the northeast quarter. Sent out to all of the interest owners, and we had 100-percent response and approval.

Q. Let's turn past Exhibit Number 1 in this case, and look at the document that you have prepared and had executed by all the interest owners. It's marked as Exhibit Number 2.

A. Okay.

Q. For purposes of contacting these parties, you have called this a communitization agreement?

A. That is correct.

Q. The acreage associated with this agreement, then, would be 10 acres out of each of the 40-acre tracts that we've looked at in the first display?

A. Yes, sir, that's correct.

Q. How will the production be handled from the increased-density well in relationship to any of the four original wells in the area?

A. Well, since we created a unique ownership deck by -- I want to say communitizing the royalty; it's not really communitizing, but it is blending the ownership from the north half of that -- northeast quarter with the south half of the northeast quarter. And so we created a unique ownership deck, so that production has to be metered separately so we can pay the royalty owners as per the agreement that we had them execute.

Q. Is it your intention that this agreement we're looking at would modify any of the existing operating

agreements or Division orders or other contracts associated with this project?

A. No, sir, and we specifically put language in this agreement that it does not. It does not modify anything, it does not modify the ownership decks in the existing four offset producers.

Q. To the best of your knowledge, do you have the cooperation and approval of the surface owner at the location for this increased-density well?

A. Yes, sir, we do. It's verbal, we do not have it in writing, but it's verbal.

Q. Let's turn past Exhibit Number 2 and look at Exhibit Number 3. Exhibit Number 3 is my affidavit of notice for hearing. Have you received or are you aware of any opposition to this -- the Division approving this Application?

A. No, sir, there is no --

Q. To the best of your knowledge, have we properly notified all the interest owners that are potentially affected by the Application?

A. Yes, sir, we have.

Q. Let's turn to the topic of the Bureau of Land Management. If you'll turn to Exhibit Number 4, it's a letter dated March 31st of this year to the Bureau of Land Management, advising them of this hearing and providing the

documentation associated with this case.

Have you heard anything from the Bureau of Land Management at this point?

A. No, sir.

Q. Let's set those documents aside for a moment, Mr. Ebeier, and when you're ready let's turn to the next exhibit set, it's the 7200 case [*sic*]. And if you'll start with Exhibit Number 1, let's identify for the record the components of the second well within the portion of Section 23 identified on Exhibit Number 1.

For the record, then, Mr. Ebeier, would you identify Exhibit Number 1 to this case?

A. Exhibit 1 is a plat of our proposed South Culebra Bluff 23 Number 17 well. It consists of four tracts. Basically, it's the south -- it's the north half of the southwest quarter and then the south half of the northwest quarter. Each tract is -- All four of those 40-acre tracts are -- it's fee acreage, and the ownership deck is unique as to the south half of the northwest quarter, and it's unique as to the north half of the southwest quarter.

So basically the purple and the blue are identical and the yellow and the green are identical.

Q. It is RB Operating's intent to put the increased-density well within the same 40-acre spacing unit identified in the purple?

A. Yes, sir.

Q. It will be associated, then, with what existing original well?

A. We call that the South Culebra Bluff Number 1 well.

Q. Has your method of consolidating the interest been the same for this Application as it was for the prior Application we just talked about?

A. It was almost identical, with the exception of 100 percent of the fee acreage. We didn't have any federal acreage in this particular drilling unit.

Q. For the record, then, let's turn to what is marked as Exhibit Number 2 in this case. Again, would you identify the document you're utilizing here?

A. This is the agreement that we used. It's called the communitization agreement, sent to all of the owners in the two 80-acre tracts. Again, it was sent to the working interest owners, the overriding royalty interest owners, and the royalty owners. And the language is generally the same. It's identical with the exception of the acreage being described, and then the exhibits are obviously different, because the ownership decks are different.

Q. And then when we turn to Exhibit Number 3, have you satisfied yourself that we have notified all the interest owners affected by this Application before the

Division Examiner?

A. Yes, sir, we have.

Q. And pursuant to that notification or otherwise, are you aware of any opposition or objection to the Division approving this Application in this case?

A. No, sir.

MR. KELLAHIN: At this point, Mr. Examiner, that concludes my examination of this witness. And for the record, we would move the introduction of Exhibits 1, 2 and 3 in each of the two cases.

EXAMINER CATANACH: Exhibits 1, 2 and 3 in Case 13,471 will be admitted, and Exhibits 1, 2 and 3 in Case 13,472 will be admitted.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Ebeier --

A. Yes, sir.

Q. -- in the two previous cases that you put on for the two previous wells, did those involve federal acreage, do you recall?

A. No, sir, it was 100-percent fee acreage.

Q. Okay. So have you spoken to BLM personally, or do you have knowledge on whether or not they're going to approve this or not?

A. No, the only correspondence we had was Mr.

Kellahin's letter to the BLM.

Q. Well, actually the well is not going to be -- the Carrasco well is not going to be on the federal acreage?

A. That's correct.

Q. So the feds would actually get royalty from that well, which they otherwise would not?

A. That's exactly right, we specifically set it on the fee acreage for that purpose.

EXAMINER CATANACH: Okay. I don't see why they should have any objection to it, but are you going to follow up on that?

MR. KELLAHIN: Yes, Mr. Examiner, we'll do that. I think the difficulty is the novelty of it. It doesn't fall within their normal checklist of an expectation of a nonstandard proration unit, that kind of concept.

Q. (By Examiner Catanach) Okay. Who are the working interest owners in these units?

A. Both of these units, it's RB Operating Company, 50 percent, and Chesapeake -- I'm not sure exactly the exact entity name, but it's Chesapeake Operating Company, possibly, out of Oklahoma City.

Q. Okay, and that's for both of the wells?

A. Yes, 50-50 ownership.

Q. Okay, those are the two working interest owners, and --

A. Yes.

Q. -- you have various --

A. And then the -- I'm sorry?

Q. -- you have various royalty interest owners --

A. Oh, yes.

Q. -- and overrides?

A. Yeah. And if you look at these two agreements that I put together, if you look at the Exhibits A, B and C, I set out all of the owners that are unique to both those 80-acre tracts, in both of the proposed locations.

Q. Okay. And do you have those identified as royalty or overriding royalty, or just royalty interest owners?

A. Let me see, I can't remember exactly if I did or not.

Yes, I did. If you look at -- I'm looking at the 23-17 agreement. If you look at the last four or five pages, you'll see Exhibit A attached at the very back of the pages, our last signature page that we got.

But if you back up a little bit to the Exhibit A --

Q. Okay.

A. -- okay? -- you'll see the ownership in what we call tracts 1 and tracts 2.

Q. Okay.

A. And it does set out the working interest and the overriding royalty interest, and so the balance there is the royalty interest.

And then also below that, I describe the ownership deck in tract 3 and tract 4, and it sets out the working interest owners, the first two owners, and that was Chesapeake Permian, LP, was the working interest owner entity name.

Then with the asterisk next to the name it was -- I set out the overriding royalty interest owners --

Q. Okay.

A. -- and so the balance of the ownership is royalty.

Q. Okay. Have you drilled the first two wells?

A. We have drilled the first well, the one of the two, and it's the South Culebra Bluff 23 Number 15 well.

Q. Now, on each of these -- each of the existing 40-acre spacing units in each of the units, RB is the operator, right?

A. Yes, sir.

Q. And do you have active wells on all eight of the 40-acre tracts?

A. Yes, sir.

Q. And those are active Brushy Canyon wells?

A. Yes, sir.

Q. And my understanding is that it's -- the two new wells are going to have their own production facilities; is that correct? Or are they just going to be measured?

A. They'll be measured separately, obviously, because like I said, we have a unique ownership deck for each one of those wells, so they'll have to be measured separately, because we'll have to be paying royalties out on each one of those wells.

Q. Okay. Do you have four separate tank batteries out there, or how is that set up? Do you know?

A. I would have to refer that to our production facility engineer.

Q. And you've reached 100 percent agreement with all of the interest owners, right?

A. Yes, sir.

EXAMINER CATANACH: Okay, I think that's all I have, Mr. Kellahin.

MR. KELLAHIN: Mr. Examiner, I overlooked in Case 13,471 Exhibit Number 4, which was my letter to the Bureau of Land Management. We would ask that you introduce that exhibit at this point.

EXAMINER CATANACH: Okay, Exhibit Number 4 in Case 13,471 will be admitted.

MR. KELLAHIN: At this time, Mr. Examiner, we'd call Martin Emery.

MARTIN EMERY,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Emery, for the record, sir, would you please state your name and occupation?

A. My name is Martin Emery. I'm a geologist with Range Resources, or RB Operating, in Fort Worth, Texas.

Q. Mr. Emery, on a prior occasion did you testify before the Division, in fact, Examiner Jones, back in November of last year?

A. Yes, I did.

Q. Did you make a geologic presentation to Examiner Jones back in those hearings?

A. Yes, I did.

Q. For purposes of today's hearing, have you continued your work as a geologist for RB Operating?

A. Yes, I have.

Q. And pursuant to that employment, do you now have exhibits and testimony to present to Examiner Catanach in these two cases?

A. I do.

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

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Mr. Emery, let's start with the package of exhibits that you prepared for Case 13,471, and we'll start with what is marked as Exhibit Number 5. Do you have those, sir?

A. Yes.

Q. Let's start with Exhibit Number 5 and have you summarize for Examiner Catanach what your geologic concept is for these two wells.

A. What this map represents is a net isopach map of the Brushy Canyon reservoir. It's an amalgamation of about seven different productive Brushy Canyon sandstones. And net reservoir was qualified as having porosity greater than 14 percent, so a porosity cutoff of 14 percent was applied to get the values which are annotated by the wells in red, which were subsequently contoured.

The purpose of this map was to provide engineering, reservoir engineering, with an estimation of the acre-feet of pay within the Brushy Canyon for volumetric purposes. So it's an amalgamated net isopach map. The reds are thicker, the greens are thinner.

Q. For each of these two project areas before Examiner Catanach, what is it that you think you're going to achieve if he approves these increased-density wells?

A. Well, we believe we're going to capture reserves

that the existing wells in the four proration units that we're drilling almost in the middle of will not ultimately capture.

Q. Have you found anything in your current drilling of the wells involved in the order that Mr. Jones entered for your back in last year -- have you learned anything from that data that causes you to believe that you should not be drilling these increased-density wells?

A. No, we have not. We've only drilled one. That would be, like Mr. Ebeier testified, the SCB 23 Number 15 in Section 23, and it's currently testing.

Q. When we look at Exhibit 5 to this case and look within the northeast quarter of 14, there are associated in this area, outlined in the red-dashed line, four wells other than the wellspot for the increased-density well. Do you see that?

A. That's correct.

Q. What's the current status of those other wells?

A. All four of those wells are active Brushy Canyon producing wells.

Q. And they're under the control and operation of RB Operating?

A. That is correct.

Q. Turning through that exhibit set and looking at Exhibit 6, what is it that we're looking at here?

A. Exhibit 6 is a structural contour map, and this is contoured on top of one of the sandstones -- we refer to it as the "A" sandstone -- in the Lower Brushy Canyon. And the map just illustrates that there's not a -- for this immediate area there's not a structural component to the trapping of hydrocarbons. This is more of a stratigraphic trap.

Q. Is the lack of a significant structural component for this case the same conclusion you reached with regards to the second case before Mr. Catanach?

A. That's correct.

Q. Was that also true of the two cases you presented to Examiner Jones last year?

A. Yes.

Q. Before we leave this display, you have got a line of cross-section shown on here?

A. That is correct, extending from the South Culebra Bluff Number 7 well to the Carrasco -- through the Carrasco 14-6 proposed well to the Carrasco 14 Number 3 well, to the southeast.

Q. When you examine and look at the available geologic information and reach conclusions, what conclusions do you reach about the correlation and continuity of the Brushy Canyon Pool reservoirs?

A. As we will see on subsequent exhibits, the

individual sand members are quite correlative locally and continuous, but the reservoir quality is highly variable.

Q. When you talk about reservoir quality being highly variable, what components of that are reasons for the variability?

A. It's -- the quality varies because of varying porosity and permeability.

Q. Let's turn now, Mr. Emery, to Exhibit Number 7. Take a moment and unfold that display. Describe for Mr. Catanach what you're proposing to utilize as the top and the bottom of this pay interval in the East Loving-Brushy Canyon Pool.

A. Well, annotated on this cross-section, this is -- I've split the Brushy Canyon into two cross-sections for ease in viewing. This is at the uppermost part of the Brushy Canyon. You can see the purple line at the top; that would be the top of the Brushy Canyon. And near the top of the Brushy Canyon are two intervals which are fairly correlative in this area and productive. Colloquially we refer to them as Pardue "yellow" and Pardue "orange" sandstones.

Q. When we look at the adjoining four existing wells in each of these four spacing units, has RB Operating accounted for or exhausted the opportunity to open up all the pay intervals in the East Loving-Brushy Canyon Pool?

A. As you'll see in subsequent testimony by Mr. Bryant, no, they haven't opened everything. But various wells have various things open.

Q. In your analysis as a geologist, do you see the opportunity to substantially change your strategy if you should open those perforations in existing wells?

A. No.

Q. There's nothing that you would see that would cause you not to drill the increased-density well?

A. No.

Q. Is there a risk posed to you if you opened additional perforations in some of these wells?

A. We don't believe so. We think, in fact, some of those zones were contacted through completions in other zones when they were frac'd. And we have some evidence of that from wells that we've recompleted, and we've added perforations above zones that were frac'd and seen that they have been completed by the initial completion.

Q. Is there a cost component to recompletion and attempts to produce any of these additional intervals?

A. Sure, there's a cost. The key cost is the fracture stimulation.

Q. Let's turn now to Exhibit Number 8, Mr. Emery. With this display now you're moving down lower into the pool?

A. Yes, it's the same line of cross-section, the same wells, and now we're just at the lowestmost part of the Brushy Canyon, immediately above the Bone Spring, which you can see is the brown line -- the brown unconformity line at the base of the cross-section, near the bottom of the cross-section.

Q. So then identify for Mr. Catanach what you propose to have as the pay intervals in these two project areas.

A. The base of the pay interval would be what we have labeled as the thin sand just above the top of the Bone Spring, the Lower Brushy Canyon "D" zone, the base of which is at about 6185, and that would be true vertical depth, in the Carrasco 14-6. That's where it's prognosed to be.

Q. Let's turn to the topic, Mr. Emery, of your working with the petroleum engineer of your company to estimate the reserve potential for the infill well. have you provided him with all necessary geologic information so he can make his engineering calculation?

A. That's correct. The isopach map was used to arrive at acre-feet for the volumetrics, and then --

Q. Let's turn now to Exhibit 9. What's this?

A. The next exhibit, which is Exhibit 9, is petrophysical evaluation of the four offsetting wells and

the average porosities and water saturations from those calculations, which were then also supplied to Mr. Bryant for volumetric analysis.

Q. Mr. Emery, at this time let's turn to the topic of the directional wellbore portion of this Application. If you'll turn to what we've marked as Exhibit 9A, there's a package of documents, starting with a plat on Division Form C-102. Let's start with Exhibit 9A and have you identify for me the plat.

A. This is just a survey plat showing the surface location and proposed bottomhole location of the Carrasco 14 Number 6. We have to drill directionally to get to that bottomhole location because of the Pecos River. It runs -- It's not illustrated on here, but it runs approximately north northwest-south southeast, through the northwest corner of Section 14 -- I mean northeast corner of Section 14.

Q. Your strategy, then, is to attempt to place the producing portion of this directional wellbore within a location that's at the approximate center of the four 40-acre spacing units?

A. Yes, that's correct.

Q. If you'll turn to the next page of this exhibit -- in fact, I intended to re-organize these in a different way and I didn't do it. I'm looking for the schematic. If

we move beyond the digits, and I think it's the fourth page, there's a profile section. Let's use this to illustrate how RB Operating proposes to directionally drill this well, Mr. Emery, if you'll describe for us how you're going to accomplish this.

A. Okay, this page illustrates -- on the left side is a cross-section view of the drilling plan, and it's a little bit confusing because you're looking at this from an azimuth of 270 degrees, so it actually looks like you're going form east -- or west to east --

Q. West to east.

A. -- when in fact we're going from east to west. But on the plat view, which is on the right side of this page, it illustrates that. The surface location is at the -- in the middle of the crosshairs at zero, zero. The bottomhole location is 450 feet due west of the surface location.

And we expect to encounter the top of the Pardue or the shallowest Brushy Canyon pay sands at a true vertical depth of 4720 feet or measured depth of 4732 feet, which is at a location relative to the surface -- or relative to the section lines, of 1400 feet from the north and 1117 feet from the east.

And then at the base of the Lower Brushy Canyon pay or at the base of the Lower Brushy Canyon "D" sand, we

expect to encounter that at a true vertical depth of, like I said, 6185 feet or a measured depth of 6202 feet. And that's at a location 1400 feet from the north line of the section and 1233 feet from the east line.

Q. Have you used this data, Mr. Emery, to also identify the approximate total bottomhole location of the well?

A. Yes, we have.

Q. And what are those numbers?

A. The bottomhole location is illustrated on the survey plat, and it is 1400 feet from the north line of the section, 1250 feet from the east line of the section.

Q. Have you reviewed Division Rule 111 as part of your preparation for hearing this morning?

A. Yes, I have.

Q. Can you identify for the Examiner what the Division requires for a kickoff point?

A. Yes.

Q. And on what exhibit will we see that information?

A. Going back to the directional plan, the kickoff point will be at approximately 600 feet. And then the plan is to build to an angle of about 4 1/2 degrees and hold that angle to total depth.

Q. The producing interval, then, will be between the top and the bottom of the points that you have described

for Mr. Catanach in your testimony just now?

A. That is correct.

Q. Without special exception, Rule 111 requires you to maintain a target of a 50-foot radius of this bottomhole?

A. That is my understanding, yes.

Q. At this point you're not seeking to have an exception from that?

A. No, sir.

Q. Let's set aside the exhibit packages for that case, and let's move on to the next case, which is 13,472, and for this exhibit set we're starting with Exhibit Number 4.

Let's generally summarize whether or not -- are there any meaningful differences in the geology between what you have studied for the well in the prior case and what we're about to look at in the geologic displays for this case?

A. They're the same displays, same series of displays, and no, there's no real significant differences. The thicknesses, of course, for this net isopach map on Exhibit 4 are -- they're different from the previous -- the similar exhibit for the previous case.

Q. The data for Case 13,472 does not cause you to change your ultimate conclusion about the drilling of the

increased-density well?

A. No, sir.

Q. Let's look at Exhibit 4. In this particular project area, there are currently five wells associated with the four 40-acre spacing units?

A. That is correct.

Q. What's the status of these wells?

A. All five of those wells are currently active in the Brushy Canyon.

Q. In this case, then, you're going to put the SCB 30 -- 23-17 well as the infill well?

A. That is correct.

Q. The increased-density well. And it will be on the same 40-acre spacing unit with what other well?

A. The South Culebra Bluff 23 Number 1, which is in the northeast of the southwest of Section 23.

Q. Let's have you move past Exhibit Number 4 and let's have you explain the other displays, starting with Exhibit 5. Identify and describe for us the significance.

A. Exhibit 5, again, is a structural contour map. Like the previous exhibit, it's constructed on top of the Lower Brushy Canyon "A" sand. Highlighted are wells which are productive from that -- or have been perforated in that interval.

The red line depicts the line of cross-section

for the next two exhibits.

And there is a little bit of a structural closure, but -- on the west side of the 160 acres that we are looking at, but that amount of closure is far less than the hydrocarbon column that we see in a lot of these -- or most of these reservoirs.

Q. Now let's turn to Exhibit Number 6 in this case. Identify this display for us.

A. Exhibit Number 6 is a northwest-southeast structural cross-section. This is near the top of the Brushy Canyon -- the top of the Brushy Canyon is the purple line -- illustrating the upper Brushy Canyon pay zones, colloquially known as the Pardue "yellow" and Pardue "orange" sandstones.

Q. Let's turn to Exhibit Number 7. Identify and describe this display.

A. Exhibit Number 7 is the same line of cross-section, also structural. This is in the lower part of the Brushy Canyon, including the -- what we refer to as the Lower Brushy Canyon "AA" through "D" productive sandstones, showing their continuity between the wells.

Q. All right, sir, let's turn to Exhibit Number 8.

A. Exhibit Number 8 was the petrophysical evaluation of all of the Brushy Canyon pay sandstones in the offset wells to the proposed SCB 23 Number 17, so there are five

of those wells, and averaging the porosity and water saturations so that Mr. Bryant could conduct his volumetric analysis for the existing wells and remaining reserves recaptured by the proposed well.

Q. Mr. Emery, have you provided Mr. Bryant with all the necessary geologic information so that he could prepare his engineering calculations and reach his engineering conclusion?

A. Yes, I have.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Emery.

We would move the introduction of his Exhibits 5 through 9A in Case 13,471 and Cases [*sic*] 4 through 8 in Case 13,472.

EXAMINER CATANACH: Okay, Exhibits 5 through 9A in 13,471 will be admitted, and Exhibits 4 through 8 in 13,472 will be admitted.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Emery, in the Carrasco well, what is the net thickness that you're going to encounter in that well?

A. We would expect to encounter something close to 140 to 145 feet of net pay in the Brushy Canyon. Again, that would be scattered over seven different sandstone intervals.

Q. Okay. Now, the seven different intervals are not completed in every well, right?

A. That is correct. They haven't been perforated in every well, in each of the offset wells.

Q. What is completed in each of the offset wells? Is there three or four or --

A. I would like to defer that question to Mr. Bryant. He has production-decline curves which show which zones were open in which wells. He has it for each of the offset wells, and what happened with production when those zones were put on production.

Q. Okay. The porosity you have as an average of 16 percent?

A. In the case of the offset wells for the Carrasco 14-6, the average offset porosity is 17 percent.

Q. 17 percent, okay. Water saturation about 50 percent?

A. That's correct.

Q. Now, does that vary -- Is that about right for each of the zones, or does that vary according to each zone?

A. It's about the same for all zones. The porosity range -- of course, we're using a cutoff of 14 percent, but the average porosity range for each zone varies from maybe 15 to 18 percent, and the water saturations for the

productive sands are consistently around 50 percent.

Q. Is the permeability about the same in each of the zones?

A. We have some permeability data, not that I'm aware of from these particular offset wells, but we have -- in our ongoing operations we have collected rotary sidewall core data. And permeability within sandstones is highly variable and -- I wouldn't say we had a statistically significant population of permeability data to say what the average permeability is for each sand.

Q. Now, the seven producing zones, are there some of these that are more prolific than others?

A. Yes, there are.

Q. Is that the upper two that are better, or --

A. The most prolific zones are the Lower Brushy Canyon "C" and "D" zones, and also the Pardue pay sandstones at the upper part of the Brushy Canyon.

Q. Those are the four that are most prolific?

A. Correct.

Q. Have the existing wells been producing for a while?

A. Yes, they have. Most of these wells were drilled in the late 1980s or early 1990s, so they've been on production since that time.

Again, Mr. Bryant will show you the production

history for the offset wells.

Q. Okay. And in the new well, do you know which zones that you are going to complete?

A. Our intent is to start in the lowest zones, and we will perforate and test like we have done in the SCB 23-15, within the Lower Brushy Canyon, and probably put those together and put that on production initially, and then at some later date add the Pardue.

Q. What's the strategy of doing that, doing it that way?

A. Twofold, to see what the level of depletion is in individual -- or packages of sandstones within the Lower Brush Canyon, and also to see which ones are, you know, giving up the most hydrocarbon.

Q. On the -- I didn't quite get all the numbers you were giving me on the Carrasco well. As far as the directional drilling, did you give me the top of the -- where the well will enter the Brushy Canyon?

A. I gave you the top of what I call the Pardue pay zone, so that would be the top of -- near the top of the Pardue "yellow" sandstone.

Q. Okay, and could you give me those again?

A. Measured depth was 4732 feet, true vertical depth is 4720 feet.

Q. Okay. And did you have a location also at that

point?

A. Yes, 1400 feet from the north line of the section, 1117 feet from the east line of the section.

Q. Okay. And as far as the bottom -- I'm sorry, the base of the Brushy Canyon?

A. The base of the Brushy Canyon "D", our lowestmost pay sand, measured depth, 6202 feet; true vertical depth, 6185 feet. That location is 1400 feet from the north line of the section, 1233 feet from the east line of the section.

Q. Okay, and bottomhole location is 1400 feet from the north and 1250 feet from the east?

A. That's correct.

Q. Okay. And the other well, the SCB well, that's a little bit thinner section there?

A. That's correct.

Q. Do you see that in the recoveries of the existing wells? Is it less than the Carrasco wells?

A. In general, yes. I think if you refer back to Exhibit Number 1 for both of these wells, posted by the wells are the cumulative production. The red numbers are gas, green are oil, and blue are water.

EXAMINER CATANACH: Okay. I think that's all I have, Mr. Kellahin.

MR. KELLAHIN: Thank you. At this time, Mr.

Catanach, we would call Mr. Dwayne Bryant.

DWAYNE BRYANT,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, sir, would you please state your name and occupation?

A. Dwayne Bryant. I'm a senior reservoir engineer with RB Operating in Fort Worth, Texas.

Q. Mr. Bryant, back in November of last year did you testify as an expert petroleum engineer before Examiner Jones?

A. Yes, I did.

Q. For purposes of your presentation today, have you gone through the same type of analysis as you did for Examiner Jones?

A. Yes, sir.

Q. And pursuant to that effort have you prepared for Mr. Catanach a series of exhibits and displays?

A. Yes, I have.

Q. Based upon your work product, do you ultimate conclude as a petroleum engineer that you would recommend the drilling of these two increased-density wells?

A. I would recommend that, yes, sir.

Q. Let's start, sir, with the Carrasco 14-6 package of exhibits, which will be case 13,471, and we're starting with Exhibit Number 10. Let's go through some of the available data so that we can show Mr. Catanach what you're concluding. Let's start with Exhibit Number 10. What have you displayed here?

A. Exhibit 10 is an exhibit summarizing the production, ultimate recovery, current rates, the year that these wells came on, and an average GOR for the four wells, also in the proposed location.

Q. Let's look over at the far right and look at the current gas and oil rates for these four wells. Do you see that?

A. Right.

Q. Find the well that will be produced on the same 40-acre spacing unit with the proposed increased-density well.

A. That would be the Carrasco 14-3, which is making 25 barrels a day.

Q. Your top oil allowable for wells at this depth is 142 barrels a day, something like that?

A. That's correct.

Q. And you're using an 8000-to-1 gas-oil ratio?

A. That's correct.

Q. So if the current rate of the well in the spacing

unit is 25 barrels, then there's more than enough differential in the allowable to justify the drilling of the infill well?

A. That's correct.

Q. And the vintage for all this first production is back in 1990 for these four wells?

A. That's right.

Q. What was the source of the information you used to obtain and prepare this display?

A. The production information is from public domain, IHS, and reserve estimates are based from decline-curve analysis. And we got the current rates from our recent field well tests.

Q. As part of your work, Mr. Bryant, did you prepare and analyze and calculate various drainage areas associated with these wells?

A. I did, yes.

Q. Let's turn to Exhibit 10. Identify what Exhibit -- I'm sorry, Exhibit 11, what's Exhibit 11?

A. Right. Exhibit 11 illustrates the ultimate recovery calculations for the four offset wells and the resulting drainage area for each.

Q. Is this a conventional engineering calculation by which you can calculate drainage areas?

A. Yes, it is, it's just -- it's a volumetric

calculation, backing into the drainage area.

Q. Well, let's look over on the spreadsheet, and for the four wells look at the far-right column. What are you showing in that column?

A. The drainage areas for each and an average of 26 acres for the four wells.

Q. Your ultimate conclusion, then, about the drainage areas in association, then, with the necessity for the increased-density well is what, sir?

A. There's 105 acres estimated to be drained and another 55 that is undrained at this time, that would necessitate another well.

Q. Let's go through the assumptions that you've made in calculating your drainage areas. If you'll turn to Exhibit 12 with me, let's go through some of the major components of your volumetric analysis.

A. Okay. The porosity and water-saturation determinations were made from log evaluations that Mr. Emery provided earlier.

Initial bottomhole pressure is estimated at 2615 in the Brushy Canyon. This is based on available pressure-transient analysis data that we had at the time of the acquisition of this property, about a year ago, and some recent RFTs that we've taken on some of the recent wells that we've drilled.

The formation volume factor of 1.34 is based on initial GOR, API gravity and gas gravity, and then from this we were able to calculate an oil in place of 11.3 million barrels, based on Mr. Emery's reservoir volume calculation of 22,518 acre-feet.

Q. Where did you get your 11-percent recovery factor?

A. 11-percent recovery factor was obtained using Parkway field as an analogous field. It's located to the north of Loving East, and it's a Brushy Canyon waterflood projected. And it was estimated that the primary recovery there was about 11 percent, so I decided to use that in the calculations.

Q. When you get to the bottom line of this work product, what is your estimate of the volume of oil that's not going to be produced by the existing wells?

A. 414,000 barrels are estimated not recoverable by the existing wells.

Q. And at 11-percent recovery rate, is that a sufficient volume of oil to justify the costs for drilling and resulting in a profit?

A. Yes, sir, it is.

Q. In a generalized way, tell us what is the range of your expectation for ultimate recovery.

A. The range that we're looking at is 50,000 to

70,000 barrels. We feel like here we're probably looking at more like the 70,000-barrel range. Our well costs are about $645,000, and this certainly would be economic at today's pricing.

Q. Let's turn to the next series of displays, Mr. Bryant, and let's take Mr. Catanach through the production data and then have you show him how you've estimated ultimate recovery for each of the four existing wells. Starting first, sir, with Exhibit Number 13.

A. Exhibit 13 is the SCB 14-1. On each of these we have a display of the monthly production, gas and oil, and in the far-right column you'll see summarized there the cumulative oil produced, cumulative gas, remaining oil and remaining gas and ultimate recoverable reserves.

The typical profile of the Brushy Canyon is -- as you see here, it starts off at a high rate, declines rapidly. And the GOR begins to increase soon after production, because this is a solution gas drive reservoir, and we feel like at initial conditions we're only slightly above the bubble point. So gas comes out of solution soon after production begins and our GOR starts to increase.

In this particular well, the initial completion was in the Brushy Canyon "C" interval.

Q. Stop for a moment. Let's show Mr. Catanach how he's going to know that you're tabulating production from a

certain portion of the pool. When we look above the lines, you've got the abbreviations BC and then "C" in parentheses [*sic*].

A. Right.

Q. That's what you're talking about?

A. That's what I'm talking about, right. The BC "C" represents Brushy Canyon "C" production from 1990, for this well, until 2003, the early part of 2003.

It was recompleted to the Pardue, which is another prolific interval in the Brushy Canyon, as was indicated in earlier testimony.

Q. What happened when the well was completed in the Pardue?

A. The rate increased to over 100 barrels a day. As you can see there, the solid black squares represent oil production, and the diamonds are the gas. So we had over 100 barrels a day increase.

Q. Was your methodology for determining the ultimate EUR for the wells based upon production decline analysis?

A. It was, that's right.

Q. And in doing so, did you account for your expectations of what all these various zones would do for each of these wells?

A. I did.

Q. Do you see any opportunity, as a geologist, that

you could meaningfully deplete the four 40-acre spacing units without drilling the increased-density well?

A. No, I don't see any way.

Q. Let's turn to the next display, then, and look at Exhibit 14. What are you showing here?

A. Okay, this is the Carrasco 14-2. As you can see, it was completed in the Lower Brushy Canyon originally, like the other one, except we just didn't have the "D" interval in the previous well. And we had the high rate, over 150 barrels a day, as you can see. And declined typically, as you would expect the Brushy Canyon.

And in 1999 the well was recompleted to the Brushy Canyon "AA", "A", and "B", the middle part of the Brushy Canyon intervals. And then in 2002 it was recompleted again to the Pardue.

So in this particular well we have two cast-iron bridge plugs above those previous zones, so that at a later date we can go back through them if we so desire.

Q. Let me ask you an engineering question. You said a while ago that this is a solution gas drive reservoir and that initially the pressures in the pool were slightly above the bubble point?

A. Originally, that's correct.

Q. Is this such a reservoir that we can produce it in such a way that we don't have to conserve gas drive

energy from the gas and go ahead and just produce the gas?

A. That's right, we can. It's not necessary in this case to try to preserve the gas drive.

Q. So the strategy will be to optimize production of the oil and gas?

A. That's right.

Q. And you don't compromise the oil production by taking the gas?

A. No, you don't.

Q. Let's look at Exhibit 15. What are you doing here, in Exhibit 15?

A. Exhibit 15 is a continuation of Exhibit 14. I mentioned, we have two cast-iron bridge plugs above those intervals, above the "C" and "D" and the "AA", "A", and "B", and we plan to go back and knock those out -- this particular one here is scheduled for November of this year -- and try to regain the production that we had at the time of the recompletions.

Q. What did you do with this information?

A. This information, resulting remaining reserves from knocking out the bridge plugs, is included in our ultimate recoverable reserve estimates that we used in our Application.

Q. Let's turn now to the other two wells within the area of study for this infill well. If you'll look at

Exhibit 16, what are you looking at here?

A. Exhibit 16 is the Carrasco 14-3, which again is a lower Brushy Canyon completion initially, in 1990, and with a completion -- recompletion in the Pardue in 2003. And as you can see, almost 100 barrels a day resulting from that.

Q. Okay, let's turn past that display and look at Exhibit 17. What are we seeing here?

A. It's the SCB 7B, which was originally completed in the "C" and recompleted to the Pardue in 2002, and had a tremendous increase in the rate at that time. And that's where we currently are.

This well seemed to have substantial remaining recoverable reserves below the cast-iron bridge plugs, which prompted the -- no, that's the next exhibit.

Q. Okay, let's look at the exhibit following, it's Exhibit 18.

A. Which represents 12,000 barrels remaining recoverable from the Brushy Canyon "C", based on the -- about six barrels a day of rate at the time we left it.

Q. At this point, Mr. Bryant, let's turn to your analysis of the other project area associated with 13,472, and starting with Exhibit Number 9 let's look at the tabulation of production information.

A. Exhibit 9 is similar to the previous well-summary exhibit, displaying when the wells came on and cum

production, remaining and ultimate recovery, current rates and average GOR.

Q. For purposes of this project area, we're dealing with five existing wells?

A. That's correct.

Q. Of the five, which one is the one associated with the spacing unit which will contain the increased-density well?

A. It would be the SCB 23-1.

Q. The bottom one on the display?

A. That's correct, yes.

Q. And by your estimate the data shows that it's producing 28 barrels of oil a day now?

A. Yes, sir, that's right.

Q. So as for this well there's enough margin between its allowable and its producing rate to provide an opportunity to produce hydrocarbons to pay for the infill well?

A. That's correct, yes, sir.

Q. Let's turn to Exhibit 10 in this set of documents for this case and have you identify what you're showing here.

A. Exhibit 10 is once again a summary of the drainage areas, estimated from our recoverable reserves and calculated volumetrically.

An average drainage area we came up with is about 28 acres in this 160-acre drilling tract. Total drained area, 140 acres, we estimate.

Q. Based upon your drainage calculations, do you have a geologic opinion as to whether or not it's necessary to drill the increased-density well?

A. I feel like it is necessary, yes.

Q. Let's turn to the information that supports your drainage calculation. If you'll turn to Exhibit 11 in this case, let's have you identify and describe your conclusions about this information.

A. Once again, this is an exhibit illustrating the volumetric analysis of the Delaware intervals underlying this 160-acre tract pertaining to the proposed well. The reservoir parameters were determined as previously with log analysis provided from Mr. Emery. In this case, the reservoir volume is 12,320 acre-feet, which resulted in an estimated recoverable of 678,000 barrels, as you can see about two-thirds of the way down the page there.

Q. Your ultimate recovery of oil for this project area is about half of what you show in the previous case.

A. That's right, the reservoir volume is quite a bit less than the previous.

Q. Even with this small reservoir volume, are you satisfied as an engineer that the increased-density well is

justified?

A. I am, yes.

Q. When you complete the calculation for this project area, what is the volume of oil that you associate that's not been recovered?

A. Based on the volumetrics, we estimate 70,000 barrels that would be unrecovered, without future drilling.

Q. Let's go through the production decline displays now for the wells associated with this case. Starting with Exhibit Number 12, identify the well and show us what you're concluding.

A. This is the Donaldson Com AB Number 1, which was initially completed in the Brushy Canyon "C" and "D" interval in 1990. The Brushy Canyon "A" zone was added in December of '04, and the Brushy Canyon "A", "C" and "D" were all commingled in January of this year. And the forecast that you see there represents the current producing rate and forecast, based on the daily rates that we have available at this time.

Q. Okay, Mr. Bryant, let's turn to Exhibit Number 13. Identify and describe that display.

A. This is the SCB 23-13, which was one of the few wells in the field that was drilled in the late 1990s. It was drilled in 1998, completed in the Brushy Canyon "C" and "D". In 2001 it was recompleted to the Brushy Canyon "AA",

"A", and "B", and you can notice the spike in production that was achieved at that time as a result of that.

This well is currently making 48 MCF a day and three barrels of oil per day, and it's got the highest GOR of any of them that we have.

Q. Do you see any reason to shut in this well?

A. No, sir, sure don't.

Q. The strategy would then be able to produce it as long as it will produce?

A. Right, that's correct.

Q. Let's turn to the next display, Exhibit 14.

A. Exhibit 14 is the SCB 23-4, which was completed initially in the Brushy Canyon "D" and recompleted to the Brushy Canyon "B" at the end of 2004.

Q. All right, sir, and now Exhibit 15?

A. Is the SCB 23-2, which was completed initially in the "C" and "D" and recompleted in the "AA" and "A" at the end of 2004 also.

Q. And now Exhibit 16?

A. Exhibit 16 is the SCB 23-1, which is the same well that will be in the same proration as the proposed location, and it was completed initially in the "D". In 2004 it was recompleted to the "AA", "A", and "B", as noted there with a spike production in that time period.

Q. And then finally Exhibit 17?

A. Exhibit 17 is the rest of, actually, the previous exhibit. This forecast reflects the "B", "C", "D" reserves that's below a cast-iron bridge plug at this time. This well was abandoned at around 10 barrels a day, and we fully expect to get that at some point in time.

Q. Summarize then for us, Mr. Bryant, what -- your engineering conclusions concerning both of these increased-density wells.

A. We feel like that these wells are needed to capture reserves that would not be ordinarily recovered by the existing offset wells, that we would have unique reserves here. By adding another well, a fifth well in one application and a sixth well the other, you know, we'll be effectively bringing the reservoir pressure down lower than we would with the existing wells, which would result -- which should result in some unique reserves recovery.

Q. It's your conclusion that this is not simply rate acceleration?

A. No.

Q. This is a need for an additional well to capture additional reserves that you would not otherwise produce?

A. It is.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Bryant.

We move the introduction of his exhibits in Case

13,471, of Exhibit 10 through 17, and in the next case it's Exhibit 9 through 17, which is Case 13,472.

EXAMINER CATANACH: Exhibits number 10 through 17 in Case 13,471 and Exhibits 9 through 17 in Case 13,472 are admitted.

Just a couple of questions.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Bryant, in the existing nine wells that are out there, do you anticipate any additional completions in those wellbores?

A. We do. In the Carrasco 160-acre tract there's some "AA", "A", and "B" that we will probably test at some point in time. In that area, the "AA", "A", and "B" is not as good as the Pardue uphole and the lower zones, the "C" and the "D". I had one exhibit that demonstrated that one of the four wells was completed -- recompleted to the "AA", "A", and "B", and it didn't really contribute a whole lot to the production. But we will definitely test those zones and -- but we don't expect a lot from those in that exhibit regarding the Carrasco area.

The other, I think there are a few remaining in the 23-17 160-acre tract that would be tested, but very little.

Q. Okay, and that's not going to drastically affect

your numbers as far as drilling another well?

A. No. No, sir, it will not. We've taken into account the reserves below the cast-iron bridge plugs and any potential completions.

Q. You have taken that into effect -- into account?

A. Right, right, I mean, this -- that's right.

Q. Okay. Estimated recovery on the SCB well, do you have some number on that?

A. On the SCB 23-15? The one from the previous application?

Q. No, the one that you're -- the 17 --

A. Oh, the 17.

Q. -- that you're going to drill.

A. Oh, the 23-17.

Q. Yeah.

A. We're estimating 50,000 barrels ultimate recovery.

Q. And the other well, you estimate 50 to 70 --

A. About 70,000 barrels on the Carrasco 14-6.

Q. Okay. And RB is going to drill and operate these wells, right?

A. Yes, sir.

Q. Who drilled these wells originally, do you know?

MR. EBEIER: Ram.

THE WITNESS: RB, was it?

MR. EBEIER: I think Ram.

THE WITNESS: Ram.

EXAMINER CATANACH: Okay. Mr. Kellahin, I think that's all I have.

MR. KELLAHIN: All right, sir, thank you. That concludes our presentation.

EXAMINER CATANACH: Okay, there being nothing further in these cases, Case 13,471 and 13,472 will be taken under advisement.

MR. KELLAHIN: Will you give us about five minutes, Mr. Examiner, and we can get organized?

EXAMINER CATANACH: I'll give you 15.

MR. KELLAHIN: All right, sir.

(Thereupon, these proceedings were concluded at 9:50 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13471, 13472 heard by me on April 21, 2005

David R. Catanach, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 23rd, 2005.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006