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 OXY USA WTP, LIMITED PARTNERSHIP, FOR AUTHORIZATION TO SIMULTANEOUSLY DEDICATE A STANDARD SPACING AND PRORATION UNIT IN THE WOLFCAMP FORMATION TO A HORIZONTAL WELL AND TWO VERTICAL WELLS, EDDY COUNTY, NEW MEXICO	)	CASE NO. 13,908

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Legal Examiner
RICHARD EZEANYIM, Technical Examiner

June 21st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 21st, 2007, 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.

* * *

I N D E X

June 21st, 2007
Examiner Hearing
CASE NO. 13,908

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6, 10	14
Exhibit 2	11	14
Exhibit 3	11	14
Exhibit 4	12	14
Exhibit 5	12	14
Exhibit 6	12	14
Exhibit 7	13	14
Exhibit 8	18	25
Exhibit 9	22	25
Exhibit 10	23	25
Exhibit 11	23	25
Exhibit 12	24	25

* * *

A P P E A R A N C E S

FOR THE DIVISION:

MIKAL ALTOMARE
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

SONNY SWAZO
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

WHEREUPON, the following proceedings were had at 1:33 p.m.:

EXAMINER BROOKS: At this time we will call Case 13,908, Application of OXY USA WTP, Limited Partnership, for authorization to simultaneously dedicate a standard spacing and proration unit in the Wolfcamp formation to a horizontal well and two vertical wells.

Call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe law firm of Holland and Hart, L.L.P. We represent OXY USA WTP, Limited Partnership, in this matter, and I have two witnesses who need to be sworn.

EXAMINER BROOKS: Okay. The witnesses will be sworn.

(Thereupon, the witnesses were sworn.)

MR. CARR: May it please the Examiner, as we begin this hearing, with your permission I'd like to make a brief opening statement.

EXAMINER BROOKS: You may proceed.

MR. CARR: When the Application was originally filed as it is styled now at this time, there were some questions raised by the Division about whether or not we should style this as an attempt to simultaneously dedicate wells to a standard spacing and proration unit, or if it

should be styled as an attempt to simultaneously dedicate a number of wells to a project area for a pre-existing horizontal well. And if I could just explain how we happen to be before you in this posture --

EXAMINER BROOKS: Okay.

MR. CARR: -- it will make, particularly, the land testimony easier.

If you'll look at Exhibit 1, which is on the top of the package, this is a plat that will be reviewed actually by both of my witnesses. But the red block in the center is a four-section project area for a horizontal wellbore. It was approved by the BLM, and the reports have been accepted by the OCD, but the well on this exhibit is from a surface location in the extreme northwest of Section 23 and has two laterals, one extending almost due north into Section 15, then another going due south down into Section 26. And it contains eight laydown 320-acre standard spacing units on which there are existing wells.

As you know, there's a lot of interest now in new ways to develop the Wolfcamp formation in southeastern New Mexico, and what we are looking at in this case is a standard 320-acre unit in the south half of Section 15. The reason we're looking at this on a spacing unit basis instead of a project area basis really requires us to look at terms as they are defined in Division Rule 111.

And we know what spacing unit is, we know what a project area is for a horizontal well. And then the rule, when we start talking about how you can set allowables for wells in project areas, there is a sentence that we think is instructive. And it is in Rule 111.C.(3). And it talks about when establishing an allowable for project areas, it includes production from all wells, including vertical wellbores on standard spacing units inside the project area. This suggests that when you add wells in a project area, that you are looking at it on a spacing unit basis.

And I'd suggest that -- although I wouldn't pretend anyone thought of this when the rule was drafted, it does make some sense because if someday in this case the horizontal wellbore was abandoned and you have more than the allowed wells on each of these eight spacing units, when the horizontal well goes away you would suddenly have a number of spacing units with too many wells on them. And so for that reason we're approaching it to simultaneously dedicate three wells for the south half of Section 15.

And my first witness is Mr. David Evans.

EXAMINER BROOKS: I'm sorry, I didn't get the last name?

MR. CARR: Evans --

EXAMINER BROOKS: Evans, okay.

MR. CARR: -- E-v-a-n-s.

DAVID RAY EVANS,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your full name for the record?

A. David Ray Evans.

Q. And Mr. Evans, where do you reside?

A. 1506 Douglas, Midland, Texas 79701.

Q. By whom are you employed?

A. OXY USA WTP, Limited Partnership.

Q. And what is your current position with OXY?

A. Land negotiator.

Q. Have you previously testified before the New Mexico Oil Conservation Division?

A. Yes, I have.

Q. At the time of that testimony, were your credentials as an expert in petroleum land matters accepted and made a matter of record?

A. Yes, they were.

Q. Are you familiar with the Application filed on behalf of OXY in this case?

A. Yes, I am.

Q. And are you familiar with the status of the lands in the subject area?

A. Yes, I am.

MR. CARR: We tender Mr. Evans as an expert witness in petroleum land matters.

EXAMINER BROOKS: Okay, are you a CPL, Mr. Evans?

THE WITNESS: I was formerly a CPL.

EXAMINER BROOKS: Formerly?

THE WITNESS: Yeah, the dues got a little high.

EXAMINER BROOKS: Okay. He's so qualified.

Q. (By Mr. Carr) Mr. Evans, would you briefly summarize for the Examiners what it is that OXY seeks with this Application?

A. OXY seeks the authorization to dedicate a standard 320-acre spacing and proration unit comprised of the south half of Section 15, Township 20 South, Range 28 East, Eddy County, New Mexico, in the Wolfcamp formation, North Burton Flat-Wolfcamp Gas Pool, to the following three wells:

The Government AC Well Number 1, drilled as a vertical well, located 660 from the south line, 1980 feet from the west line of Section 15;

The Government AA Com Well Number 2, that has been drilled as a dual lateral horizontal wellbore, directional well, from a surface location of 190 feet from the north line, and 350 feet from the west line of Section 23, to a bottomhole location 675 feet from the north line,

261 feet from the east line of Section 15, and a second lateral with a bottomhole location of 678 feet from the south line, 237 feet from the west line of Section 23;

And finally the Government AC Com Well Number 4, drilled as a vertical well, located 660 feet from the south and east lines of Section 15.

Q. And that's the way you want to add to the spacing unit?

A. Yes.

Q. What rules govern the development of the Wolfcamp formation in this area?

A. 320-acre spacing units, optional infill wells and the quarter section only containing the original well, 660-foot setbacks.

Q. And this additional well that you propose to add is at a standard location?

A. Yes.

Q. Is this a prorated pool?

A. No.

Q. Could you refer to Exhibit Number 1, identify the spacing unit and simply explain from the land perspective what is shown on this exhibit?

A. This exhibit reflects our spacing unit in the south half of 15, and our government AC Number 4 well. Along to the west is the AC Number 1 well. It also shows

the project are for the horizontal well, the AA Number 2.

Q. If we go to what has been marked OXY Exhibit Number 2, is this a copy of Rule 111 which I discussed in my opening statement?

A. Yes, it is.

Q. And was the language in this rule the reason that OXY decided to simultaneously dedicate just the spacing unit instead of the project area for the horizontal wellbore?

A. Yes, it is.

Q. When was this horizontal wellbore actually approved?

A. This was approved, let's see -- February the 17th, 2004.

Q. Are the documents that constitute the approval of this wellbore contained in what has been marked as OXY Exhibit Number 3?

A. Yes.

Q. And this is on a federal form, the application for permit to re-enter --

A. Correct.

Q. -- and behind that are various C-102s and calculations that show the location of the laterals on this well; is that right?

A. That's right.

Q. What is the status of the mineral ownership in this four-section?

A. The mineral ownership is common and --

Q. Are the interests communitized throughout the four sections?

A. Yes, they are.

Q. And is a copy of the communitization agreement covering this acreage what has been marked as OXY Exhibit Number 4?

A. Yes.

Q. This agreement has been amended and includes all four sections, does it not?

A. Correct.

Q. Does the joint operating agreement cover this acreage?

A. Yes, it does.

Q. And is a copy of that joint operating agreement what has been marked as OXY Exhibit Number 5?

A. Yes, it is.

Q. Have you proposed the well, or the recompletion, to all the other working interest owners in this four-section area?

A. Yes, we have.

Q. Would you identify what has been marked as OXY Exhibit Number 6?

A. This is OXY's AFE for expenditures that has been executed by all the working interest owners.

Q. So all working interest owners in the south-half spacing unit have agreed to the recompletion of this well in the Wolfcamp?

A. Yes, they have.

Q. And these are the same owners that are the owners throughout the four-section project area as well; is that not true?

A. That is correct.

Q. Is OXY Exhibit Number 7 an affidavit confirming that notice of this hearing has been provided in accordance with the Rules of the Division?

A. Yes, it is.

Q. And to whom has notice been provided?

A. To all the owners in the area.

Q. This includes all the owners in the spacing unit and the project?

A. And the project, yes, sir.

Q. Since they're the same?

A. Yes.

Q. Will OXY call an engineering witness to review the technical portions of this case?

A. Yes, they are.

Q. Were OXY Exhibits 1 through 7 either prepared or

compiled under your direction?

A. They were.

MR. CARR: May it please the Examiner, at this time I would move the admission into evidence of OXY Exhibits 1 through 7.

EXAMINER BROOKS: 1 through 7 are admitted.

MR. CARR: That concludes my direct examination of Mr. Evans.

EXAMINATION

BY EXAMINER BROOKS:

Q. Okay. Was notice only given to the owners within the project area? Is that what I understand?

MR. CARR: That is correct.

THE WITNESS: That's correct.

Q. (By Examiner Brooks) Okay, so no notice was given to offsets?

A. The offsets to the well, yes, sir.

MR. CARR: You know, Mr. Brooks, I mean, that's a -- the ownership is common offsetting the south-half spacing unit in all directions except to the west.

EXAMINER BROOKS: Except to the west, right?

MR. CARR: Correct.

EXAMINER BROOKS: Over in Section 16?

MR. CARR: Correct. Because it's all within the same project area.

EXAMINER BROOKS: Is there a Wolfcamp operator in Section 16?

THE WITNESS: I do not know.

MR. CARR: We can check that and confirm it --

EXAMINER BROOKS: Okay.

MR. CARR: -- and either re-notify or bring a waiver from --

EXAMINER BROOKS: Under the policies that we've taken with regard to these simultaneous dedications in the Wolfcamp, we would have to have notice to the offset --

MR. CARR: Okay.

EXAMINER BROOKS: -- affected persons.

That's my only question.

EXAMINATION

BY EXAMINER EZEANYIM:

Q. On that Number 1, Exhibit Number 1, what is that AC Number 4? What is that?

A. The AC Number 4 is currently a well in the Morrow formation. It's the one we propose to recomplete into the Wolfcamp.

Q. Okay, that's what -- that triangle?

A. Yes, sir.

EXAMINER EZEANYIM: Okay.

EXAMINER BROOKS: Okay, any questions?

MR. SWAZO: No questions.

EXAMINER BROOKS: Very good. Anything further, Mr. Carr?

MR. CARR: At this time I would call David Lofton --

EXAMINER BROOKS: Very good.

MR. CARR: -- L-o-f-t-o-n.

EXAMINER BROOKS: Next witness may take the stand.

DAVID W. LOFTON,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your full name for the record?

A. David Wayne Lofton.

Q. Mr. Lofton, where do you reside?

A. I live at 5504 Ridgemont in Midland.

Q. By whom are you employed?

A. By OXY Permian, or OXY USA WTP.

Q. What is your current position with OXY?

A. I'm a reservoir engineer.

Q. Have you previously testified before the New Mexico Oil Conservation Division?

A. No.

Q. Would you review for Mr. Brooks and Mr. Ezeanyim

your educational background and then summarize your work experience?

A. I graduated from Texas Tech in 1986 in mechanical engineering, and I worked for approximately four years for Unocal in Oklahoma, and then I worked 10 years for Samedan or Noble Energy in Oklahoma, west Texas, as well as offshore and international. And then in 2000 is when I came to work for OXY in Midland.

Q. Does the geographic area of your responsibility for OXY include southeast New Mexico?

A. Yes.

Q. Are you familiar with the Application filed in this case on behalf of OXY?

A. Yes.

Q. Have you made an engineering study of the spacing unit and the well you propose to add to the spacing units?

A. Yes.

Q. And are you prepared to share the results of that study with the Examiners?

A. Yes.

MR. CARR: We tender Mr. Lofton as an expert witness in reservoir engineering.

EXAMINER BROOKS: Okay. Mr. Lofton, are you a registered engineer in New Mexico or elsewhere?

THE WITNESS: No, I'm not.

EXAMINER BROOKS: Very well. He is so qualified.

Q. (By Mr. Carr) Have you prepared exhibits for presentation here today?

A. Yes.

Q. Could you refer to what has been marked for identification as OXY Exhibit Number 8 and review this for the Examiners?

A. Exhibit 8 is the -- basically the same base map that you saw before, with the exception of I've included some drainage areas that I've calculated. And I'll walk through the basis for those drainage calculations in the following exhibits. But first off, I've listed here some of the major reasons for us deciding, you know, that the current wells are not adequately draining the reservoir, and so kind of -- I'll start here.

The higher bottomhole pressures that we've encountered in our wells that we've drilled in the last few years are certainly a very important evidence of poor drainage from the older wells. Most of these wells have been producing, with the exception of just one or two, since the early '70s. And I'll kind of go through these.

The Government AC Number 4 was a well, when we drilled it to the Morrow we took a -- we did a DST as well as an open hole -- or an open-hole DST as well as open-hole RFTs, to establish the pressure before we ran pipe in the

Morrow zone. And we discovered the bottomhole pressure there to be 3078 pounds, from both tests.

And then you compare that to the AC 1 that was -- in a bottomhole pressure survey that we had done in 2003, to only be 1300 pounds or so, and I've listed that here.

And then in addition --

EXAMINER EZEANYIM: Why the difference there? Too much difference, because -- 3000 and 1300. This AC 1 is in the same section here, right?

THE WITNESS: That's right --

EXAMINER EZEANYIM: What difference --

THE WITNESS: -- that's right.

EXAMINER EZEANYIM: -- is it? Why is the pressure higher in AC Number 4?

THE WITNESS: Kind of, you know, several different things, I think, are contributing that, one of which is just the relatively low permeability of this reservoir, and in some cases we've got some geologic things contributing in terms of baffles and things like that.

And I know another thing -- and you'll see it on the production curve -- is that it is a retrograde condensate reservoir. So we'll see -- I think we're seeing some banking of the condensate, which is impeding the drainage of the reservoir, impeding the permeability.

And then -- and that's a -- you know, of course

that was a -- you know, when we found the 3000 pounds that was very encouraging to us in terms of the infill drilling potential.

Q. (By Mr. Carr) Let's look at some of the other wells and the --

A. Okay.

Q. -- bottomhole pressure disparity.

A. Right. And one thing I want to kind of stress is, you know, the recent activity, since we kind of -- since I had done a study back in 2003 in taking the bottomhole pressures, all of the wells that we've drilled and taken pressures in this area have found much higher pressures out in the reservoir, so to speak, than at the existing wells.

So kind of continuing down the list here, the Government R 1 is over in the south half of Section 14. We encountered a bottomhole pressure there of approximately 2900 pounds, whereas the vertical well, the vertical Government R 1 that we were producing from prior to that was already down to roughly 1100 pounds.

And then the Government AA -- that should read the Government AA 1 that's in the south half of 23.

Q. Is that marked on the exhibit as the Z 1?

A. No, it's marked as the A 1.

Q. Okay --

A. And it should be the --

Q. -- all right.

A. -- it should be the AA 1.

Q. Okay.

A. I just noticed that.

Once again, we encountered a bottomhole pressure of 2800 pounds, whereas in the vertical well we had taken a survey the prior -- actually a few years back, of 1766 pounds.

And then the Government Z 1, we did not have a static bottomhole pressure to compare to, but once again the pressures are much higher than the offsets, and I've listed here the pressure that we encountered when we drilled that horizontal lateral.

Q. So basically this information would suggest there's poor drainage occurring in the reservoir at this time?

A. Yes.

Q. You've got also on this exhibit some conclusions concerning the Government AA Well Number 2, the well with the two horizontal laterals. Is the information contained in the subsequent exhibits going to support these conclusions?

A. Yes.

Q. Why don't you just state what they are, and then

we'll work through the data?

A. Okay. Here at one point, you know, in addition to the other, is the poor drainage indicated by the flat decline rate. We do have -- I've got a total production plot in the following exhibits. And then as he mentioned, the Government AA 2 really only expected to drain 97 acres. I've got pressure information leading -- to let us know how much we've drained there. And this represents only the width of the drained area, as you see here, of around 450 feet. And as he's mentioned, I've got the calculations and the things to support that in the following exhibits.

Q. And the information you have shows that with 8000 feet of lateral, you're really going to only run 97 acres --

A. That's right.

Q. -- of that formation?

A. That's right. It's actually 9200 feet. This 8000 was just a round number --

Q. Okay.

A. -- for this presentation. But the 9200, the actual length of the two laterals, is stated in the following exhibits.

Q. Let's go to what has been marked as Exhibit Number 9. Would you identify that and review it for the Examiner, please?

A. Okay, this is the total production plot of the -- of all the wells that are identified as Wolfcamp producers in the yellow area here. And as you can see, you see the condensate production fall off more rapidly than the gas production. And an indication that we'd see from very, very flat declines, is lack of drainage of the area. We're just not draining effectively the entire area.

Q. Let's go to Exhibit 10. What is this?

A. This is a P/Z versus cum for the Government AA Number 2, the long lateral that's in the middle of the project area. As you can see, it points to an ultimate recovery of between 2 and 2.5 BCF. And it's this 2.5 BCF that I've based my drainage calculations on.

Q. What is Exhibit Number 11?

A. Okay, Exhibit Number 11 is the actual production plot versus time of the Government AA Number 2. And one thing, you know, I especially want to point out here is, you know, the condensate production fell off very rapidly, whereas the gas production has been held fairly constant.

One of the things that I've done to calculate the reserves is, I've honored the pressure data, as opposed to any kind of decline analysis for this. And the main reason for that is that continually over time we're lowering our flowing pressure such that we're able to maintain the gas rate, but in reality our reservoir pressure of the drained

area is dropped off a lot, so to speak, so...

Q. That's why the production curve is flat, and the production slopes down?

A. That's right, that's right. Once again, I've honored the pressure data.

Q. All right. Now with this information, you've taken it and you have calculated a drainage area; is that right?

A. That's right.

Q. Is that summarized on Exhibit 12?

A. That's right, and I kind of walk through it here in this last slide, that I've taken the initial bottomhole pressure, and with an abandonment bottomhole pressure of 500 pounds, the 2.25 BCF, the volume that I would need -- the volume that will be drained is 3380 acre-feet. And then with an average reservoir thickness based on the logs in this area I expect a height, an average net thickness, of 35 feet. So that gives me the 97 acres.

And then when you take that 97 acres with 9200 feet of lateral length, that's where I got the 450 feet in order to draw it on here, that that's the drainage area that we have.

Q. Now you want to add the AC Number 4 to this spacing unit?

A. Yes.

Q. How far is that well from the AA Number 2, the horizontal well?

A. It's approximately 1000 feet.

Q. What conclusions have you reached about the necessity of adding this well to the spacing unit?

A. That it will provide us incremental reserves, and we will not capture those reserves without it.

Q. And at its current location it is beyond the area that will be drained by the horizontal well?

A. That's right.

Q. In your opinion, will approval of this Application result in the recovery of reserves that will otherwise be left in the ground?

A. Yes.

Q. Will it protect the correlative rights of the interest owners in this spacing unit?

A. Yes.

Q. Were Exhibits 8 through 12 prepared you?

A. Yes.

MR. CARR: Mr. Examiner -- or both Mr. Examiners, at this time I would move the admission of OXY Exhibits 8 through 12.

EXAMINER BROOKS: 8 through 12 are admitted.

MR. CARR: And that concludes my direct examination of Mr. Lofton.

EXAMINATION

BY EXAMINER BROOKS:

Q. Okay, this horizontal well was drilled in when, '04?

A. Yes.

Q. So you've got a significant amount of production data on that well?

A. Uh-huh.

Q. Okay, and the reason for the simultaneous dedication being brought at this time is that you're going to be recompleting the AC Number 4?

A. That's right.

EXAMINER BROOKS: Okay, I believe that's all my questions.

Mr. Ezeanyim?

EXAMINATION

BY EXAMINER EZEANYIM:

Q. The Government AA Number 2, is that a horizontal?

A. Yes.

Q. And you can only drain 97 -- from your calculations, can drain 97 acres?

A. Yes, yes.

Q. The other two wells, did you do a calculation on them on how much they are draining?

A. The other two wells?

Q. Yeah, the other two vertical wells.

A. I've done -- not directly. They're so much older that I don't have some good pressure data to point back to the original, and there's some issues there with the overall, I guess, history, and I've got some problems with data to try to calculate those.

Q. Right, but they are still producing?

A. They're still producing, yes.

Q. Do you have any idea how much they are producing now?

A. The AC 1 -- they're in the neighborhood of, I want to say, you know, like 150 to 200 MCF per day. In other words, the rates have fallen way, way off. In fact, the rates are so low that there's really not much left on those wells, and roughly 10 barrels of condensate a day. It's pretty much representative of all the vertical wells in this area.

Q. Now you said that the oil here is retrograde, you know, condensate, and -- Could you use this P/Z, you know, collective to determine how much gas? Can you do that under the circumstances? Could you use P/Z to determine the drainage area?

A. That's what I've done there in the AA Number 2, in that --

Q. Yeah, I was wondering what -- whether it's,

you know, the most accurate thing to use to come up with that drainage area --

A. It --

Q. -- because I'm concerned about the drainage area, how much that horizontal can drain.

A. Right, right. In this case, you know, we certainly -- We've got good data on the AA Number 2 in that we've got good shut-ins and we've seen the pressure build to a certain point. And we're reaching a point now where we've continually opened up -- you know, so to speak, opened up the choke. And we're going to start seeing some serious declines, and we -- that all fits together with draining this amount of gas.

So, I mean -- so in other words -- I'm not sure I've answered your question.

Q. Yeah, you're trying. But -- so you think that that well can only drain 97 acres, approximately 100 acres; would you say that?

A. Yes, I feel comfortable with that.

Q. On your Exhibit Number 11, which is the rate, the red and green, which one is -- the notation here --

A. Okay --

Q. -- which one is oil and gas?

A. Yeah, the green is the oil, or condensate, and the red is the gas. And that's another -- you know,

another reason for comfort with the pressure calculations, the pressures that we're dealing with, is that as this condensate drops off, therefore your yield is dropping off and in a retrograde condensate the lower yield also is another indication of the pressure being depleted.

So you can see here that with the steep decline of our oil production, along with relatively flat gas production, our yield has dropped off significantly.

Q. Okay. And you say that formation is generally a tight formation, on your analysis?

A. Yes, and I make that inference from the standpoint of the lack of drainage of the entire reservoir, once the condensate drops off into the reservoir.

Q. Did you say that ownership in this area is identical?

MR. CARR: Yes.

Q. (By Examiner Ezeanyim) Did I hear something like that?

MR. CARR: Yes, it is, Mr. Examiner. The ownership is identical throughout the four-section area.

EXAMINER EZEANYIM: Okay, that's it.

FURTHER EXAMINATION

BY MR. CARR:

Q. And one other question, Mr. Lofton, and this may also be responsive to some of Mr. Ezeanyim's questions.

If you look at Exhibit Number 8, under each of the Wolfcamp producers you have included the cumulative gas and oil production as well as the current rate is shown there, is it not?

A. Yes, sir. Yeah, we've got cum oil in the green and cumulative gas in the --

EXAMINER EZEANYIM: Okay --

THE WITNESS: -- red.

EXAMINER EZEANYIM: -- is that in Exhibit Number 8, right?

MR. CARR: Yes, sir.

And that concludes my examination of this witness.

EXAMINER BROOKS: Very good. Is there anything further? Do you have anything further?

MR. CARR: The only thing is just the notice question, and I don't know whether you prefer to leave the case open for a couple of weeks, and we can attempt to secure a waiver of objection, which would enable us to wrap it up in a couple of weeks. And if we're unable to do it in that time, then we continue it to --

EXAMINER BROOKS: Yeah --

MR. CARR: -- and if -- for some notice in the meantime --

EXAMINER BROOKS: -- we would need to continue

it, because we might --

MR. CARR: All right.

EXAMINER BROOKS: -- in case -- because we would need to give notice of hearing if we have to give notice. So we will continue this until the July 12th hearing, if you prefer to do that --

MR. CARR: I think so because --

EXAMINER BROOKS: -- in order to present a waiver.

MR. CARR: -- we may be able to get the waiver at that time.

EXAMINER BROOKS: Okay. Then Case Number 13,908 will be continued until July the 12th for purposes of notice.

(Thereupon, these proceedings were concluded at 2:02 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13908 heard by me on June 21 2007

David K. Brooks 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 June 26th, 2007.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010