

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

APPLICATION OF EOG RESOURCES INC. FOR
A NON-STANDARD SPACING UNIT, LEA
COUNTY, NEW MEXICO

CASE NOS. 14093

FEBRUARY 21, 2008

1220 South St. Francis Drive
Santa Fe, New Mexico

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EXHIBITS 1 - 7

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1 EXAMINER JONES: Let's call Case No. 14092,
2 application of EOG Resources Incorporated, for a non-standard
3 spacing unit, Lea County, New Mexico. Call for appearances.

4 MS. MUNDS-DRY: Good morning, Mr. Examiner, Ocean
5 Munds-Dry from the law firm of Holland & Hart here representing
6 EOG, Inc., this morning. I have three witnesses.

7 EXAMINER JONES: Any other appearances? Will the
8 witnesses please stand and be sworn?

9 [Three witnesses were sworn.]

10 MS. MUNDS-DRY: May I proceed?

11 EXAMINER JONES: Sure.

12 DOUGLAS W. HURLBUT
13 after having been first duly sworn under oath,
14 was questioned and testified as follows:

15 EXAMINATION

16 BY MR. MUNDS-DRY:

17 Q. Would you please state your name for the record?

18 A. Douglas Hurlbut.

19 Q. And where do you reside?

20 A. Midland, Texas.

21 Q. And by whom are you employed?

22 A. EOG Resources, Inc.

23 Q. And in what capacity?

24 A. I'm a land specialist in the Midland division.

25 Q. Have you previously testified before the Division

1 and were your credentials accepted and made a matter of record?

2 A. Yes, I have.

3 Q. And are you familiar with the application that's
4 been filed in this matter?

5 A. Yes, I am.

6 Q. And are you familiar with the size of the lands
7 that are in the subject portion of the north Lovington Wolfcamp
8 Pool?

9 A. Yes, I am.

10 MS. MUNDS-DRY: We would tender Mr. Hurlbut as an
11 expert in petroleum land matters.

12 EXAMINER JONES: Mr. Hurlbut, are you related to some
13 famous petroleum engineer by the name of Hurlbut?

14 THE WITNESS: Not that I know of. It could be some
15 cousin or something.

16 EXAMINER JONES: He is so qualified.

17 MS. MUNDS-DRY: Thank you. Mr. Hurlbut, would you
18 please summarize what EOG seeks with this application?

19 A. We're seeking approval for a non-standard 40-acre
20 oil spacing formation in the north Lovington Wolfcamp Pool.

21 Q. And why does EOG seek this non-standard unit?

22 A. This unit is needed to conform the spacing unit
23 for spacing for the Strawn, which we're currently in. And EOG
24 plans to complete and eventually commingle production. We want
25 to keep all the interest uniform in the efficient production of

1 Wolfcamp reserves.

2 Q. What are the spacing acreage dedication rules
3 that govern the development for the north Lovington Wolfcamp
4 Pool?

5 A. Special pool rules and regulations for the north
6 Lovington Wolfcamp Pool, Order No. R-10735, effective January
7 13th, 1997, and made permanent. And R-10735A, November 5th,
8 1997, was an 80-acres spacing consisting of north half, south
9 half, east half and west half of single quarter sections.

10 Q. So it requires 80-acre spacing.

11 A. Correct.

12 Q. Do the special pool rules for this pool authorize
13 the Division director to administratively approve non-standard
14 spacing units under these circumstances?

15 A. There are no provisions in the rules.

16 Q. Is that why we're hear at hearing today?

17 A. Right.

18 Q. Would you please turn to what's been marked as
19 EOG Exhibit No. 1 and identify and review this for Mr. Jones?

20 A. This is the location of the current well that we
21 drilled, the Purple Humpy No. 15 #1 well, and it shows the
22 surface co-location, and then the bottom hole location in the
23 other quarter section.

24 Q. What does it show as the acreage that's been
25 dedicated to this well?

1 A. It's been -- yeah, it shows the acres dedicated
2 to the well being the northeast quarter and the northwest
3 quarter consisting of 40 acres.

4 Q. In what formation has this well been completed
5 in?

6 A. In the Strawn.

7 Q. Are there special rules for the Strawn?

8 A. Yes, there are.

9 Q. What are those rules?

10 A. There's a Diamond Strawn Pool, Order
11 No. R-10183A, September 16th, 1996, and it consists of 40-acre
12 spacing.

13 Q. Would you please turn to what's been marked as
14 EOG Exhibit No. 2 and identify and read that for the examiner?

15 A. What this plat basically shows is the location of
16 the well. It shows the surface location being over there in
17 the northwest quarter of Section 15 and the bottom hole
18 location being within the city limits, the City of Lovington,
19 in the northeast quarter and the northwest quarter.

20 Q. Thank you. Would you please turn to EOG Exhibit
21 No. 3 and explain to Mr. Jones what this shows?

22 A. Basically what this shows -- again, this is kind
23 of enlarges Section 15 and shows the surface hole location
24 marked with SHL and the direction in which we drilled the
25 directional well in order to encounter the Wolfcamp formation

1 and also the Strawn formation. And the Strawn formation, the
2 spacing, the setback on it is 330 feet. And it shows we were
3 able to hit that 330-foot marker and be legal. And it also
4 shows that in doing so, when we drilled the well, we kind of
5 engineered it to be within that 150-foot box to also be able to
6 encounter the Wolfcamp at legal location.

7 Q. Now, let me ask you about -- and I guess we can
8 do it with this. I don't know if it's best to do it on this
9 map or Exhibit No. 2. Tell me about the ownership in this
10 spacing unit if we went to the 80-acre spacing as required
11 under the Wolfcamp rules versus the 40-acre spacing. Tell me
12 about the ownership in those 40-acre plots.

13 A. The ownership is the same except that there's --
14 it's all the same owners.

15 Q. Okay.

16 A. Basically. They're all the same owners.

17 Q. That's the easy way to say it.

18 A. Right.

19 Q. And does EOG plan to commingle these formations,
20 make it more economical to produce this well?

21 A. Yes, they plan to.

22 Q. And are any interest owners -- going back to the
23 ownership interest -- are they excluded from the proposed
24 40-acre spacing units?

25 A. No, they are not.

1 Q. How will the approval of this application affect
2 rights?

3 A. It will provide an opportunity to produce the
4 Wolfcamp reserves that otherwise may be left in the ground.

5 Q. Will approval of this application prevent waste?

6 A. Yes, it will.

7 Q. And let's look at Exhibit No. 4. Exhibit No.4 is
8 my affidavit, the affidavit of the publication, then there's a
9 list I'd like to go through with you. And it includes the
10 notice letter and the green cards and certified mail receipts.
11 Is that what is included in Exhibit No. 4? Is that what it
12 looks like to you?

13 A. Yes.

14 Q. And who did we notify of this application?

15 A. All interest owners.

16 Q. All interest owners in the 40-acre spacing or if
17 it were in the 80-acre spacing?

18 A. All in the 40 and the 80. They would all be the
19 same people.

20 Q. So we notified all interest owners and royalty
21 owners and anybody who had an interest, correct?

22 A. Correct.

23 Q. Were EOG Exhibits 1 through 4 either prepared by
24 you or complied under your direct supervision?

25 A. Yes, they were.

1 MS. MUNDS-DRY: Mr. Examiner, we move the admission
2 of Exhibits 1 through 4 be admitted.

3 EXAMINER JONES: Exhibits 1 through 4 will be
4 admitted. You're going to have two more witnesses?

5 MS. MUNDS-DRY: Yes.

6 EXAMINER JONES: All right. Speaking of --

7 MS. MUNDS-DRY: I'm sorry. We're going to have some
8 technical witnesses. One is a geologist and one is an engineer
9 to speak to the Wolfcamp.

10 EXAMINATION

11 BY EXAMINER JONES:

12 Q. Speaking of excluded acreage, if this was based
13 on 80 acres, which 80 acres would it have to consist of here?
14 In other words, are there other 80-acre spaced wells around it?
15 I don't think there is. I guess I answered my own question.
16 Because I looked at the pool and this is a step-out to the
17 pool; isn't that correct?

18 A. I believe so.

19 Q. So it's going to be undesignated north Lovington
20 Wolfcamp. So there is no other --

21 MS. MUNDS-DRY: So it could be the north half or the
22 east half.

23 Q. (By Examiner Jones): So it could be a stand up,
24 lay down, it could be north half of northwest or east half of
25 northwest.

1 A. Right.

2 Q. And those are the same exact owners?

3 A. Well, the same exact owners are in the east half
4 of the northwest, and the northeast of the northwest. Those
5 are the same exact owners as far as --

6 Q. Okay. So it's the same owners also in that
7 40-acre tract --

8 A. Correct.

9 Q. -- as it would be in those two 80-acre
10 possible --

11 A. Well, at least in that one 80-acre possible.

12 Q. Which one?

13 A. Well, east half, northwest.

14 Q. Okay. East half, northwest would be the exact
15 same owners as in the northeast and northwest?

16 A. Correct.

17 Q. Okay. So what about if somebody wanted it to be
18 configured as a north half of northwest, those owners are being
19 left out, are they not?

20 A. That's correct.

21 Q. Did you notify those owners of this hearing and
22 the non-standard spacing?

23 MS. MUNDS-DRY: I guess not.

24 A. No, we did not.

25 MS. MUNDS-DRY: So we may need to be provide some

1 additional notice. It's a little bit different since we have
2 some options here, but we could certainly notify them.

3 MR. BROOKS: Let me think. I think it would probably
4 be advisable to notify them.

5 MS. MUNDS-DRY: I thought you might say that.

6 MR. BROOKS: I'm not sure how you construe the rules.
7 I understand -- let me clarify the situation in my mind, here.
8 For the north Lovington Wolfcamp, the spacing -- the rules call
9 for 80-acre spacing?

10 MS. MUNDS-DRY: That's correct.

11 MR. BROOKS: And this is undesignated in Wolfcamp, so
12 the rules apply.

13 MS. MUNDS-DRY: Right.

14 MR. BROOKS: And you're seeking a non-standard
15 40-acre unit consisting of the northeast and the northwest.

16 THE WITNESS: Correct.

17 MS. MUNDS-DRY: That is correct. That would make it
18 consistent with the Strawn spacing.

19 MR. BROOKS: Let me look at the wording of the rule.
20 My dad used to say that anyone who expresses an opinion about a
21 statute without having the statute in front of them is a fool.

22 MS. MUNDS-DRY: They would be correct. I believe it
23 says you notify the interest owners of who you would exclude.
24 But in this case it's a little bit unique, I guess.

25 MR. BROOKS: Yes. I doubt if it speaks to this

1 situation, but I just want to be sure that there isn't
2 something.

3 "The applicants shall notify all owners of interest
4 in the mineral estate to be excluded from the proration unit in
5 the quarter, quarter section for 40-acre pools or formations.
6 The one-half quarter section for 80-acre pools or formations.
7 The quarter section," et cetera.

8 So it doesn't show -- and it doesn't reflect any
9 understanding of the fact that there are two half quarter
10 sections. I guess I would say, like I said before, you should
11 notify. When in doubt, notify.

12 EXAMINER JONES: Will you please identify them and
13 notify them?

14 MS. MUNDS-DRY: We will identify them and notify
15 them. And then, Mr. Jones, we would ask then that when we're
16 done here today that we continue this case for a month so we
17 can complete that notification process. And then I'll give
18 Mr. Hurlbut -- and we'll get that list together.

19 EXAMINER JONES: And if you need an expedited order,
20 I can go ahead and get that out.

21 MS. MUNDS-DRY: Okay. Thank you.

22 EXAMINER JONES: Just in case -- as soon as March the
23 20th rolls around. And the business about the well being
24 standard location, I guess we're going to talk to the engineer
25 about that? Is that right?

1 MS. MUNDS-DRY: Yes.

2 EXAMINER JONES: Okay. And I think -- so let me get
3 this straight. The Diamond Strawn Pool also has special pool
4 rules; is that right? Which allow for 40 acres?

5 MS. MUNDS-DRY: 40-acre spacing.

6 EXAMINER JONES: Interesting. It would have been
7 40-acre anyway.

8 MS. MUNDS-DRY: It would have been -- it would have
9 been 40 acres anyway, but there just happens to be special pool
10 rules here.

11 EXAMINER JONES: They must be doing something with
12 those pool rules. Okay. I think that's it. Okay. Thanks
13 very much, Mr. Hurlbut.

14 MR. BROOKS: It's actually surprising how many pools
15 there are that call for special pool rules that call for
16 exactly the same thing as the state. I don't think there are
17 many gas ones, but there are quite a lot of oil pools.

18 MS. MUNDS-DRY: I think you're right. I'd like to
19 call Mr. Welch.

20 PAT WELCH

21 after having been first duly sworn under oath,
22 was questioned and testified as follows:

23 EXAMINATION

24 BY MS. MUNDS-DRY:

25 Q. Give me a second here.

1 EXAMINER JONES: While -- I better go ahead and say
2 this. On Case 13940, we said it was being continued to the
3 21st of March. But it's really being continued to the 20th of
4 March. So -- let me make sure I've got this straight here.
5 That was my mistake before. And on Case 14054, it's continued
6 to the 6th of March instead of the 7th of March. Sorry about
7 that.

8 Q. (By Ms. Munds-Dry): Would you please state you
9 name for the record?

10 A. Pat Welch.

11 Q. And where do you reside?

12 A. Midland, Texas.

13 Q. And by whom are you employed?

14 A. EOG Resources, Midland Division.

15 Q. And what do you do for EOG?

16 A. I'm a project geologist.

17 Q. And have you previously testified before the
18 Division and were your credentials made a matter of record?

19 A. I have.

20 Q. And are you familiar with the application that's
21 been filed on behalf of EOG?

22 A. I am.

23 Q. And are you familiar with the geology in the
24 subject portion of the north Lovington Wolfcamp Pool?

25 A. I am.

1 MS. MUNDS-DRY: We tender Mr. Welch as an expert in
2 petroleum geology matters.

3 EXAMINER JONES: Mr. Welch is so qualified.

4 Q. (By Ms. Munds-Dry): Mr. Welch, would you please
5 turn to Exhibit -- what's been marked as Exhibit No. 5.
6 Identify and review that for the examiner.

7 A. Yes, ma'am. Exhibit 5 is a structure map of the
8 area around the well in question, the Purple Humpy 15 #1. This
9 structure map is on the base of the Three Brothers. It's a
10 50-foot contour interval structure map. The base of the Three
11 Brothers is a well-recognized Wolfcamp marker in this area of
12 New Mexico.

13 And what you'll notice is there are green dots on all
14 of the Wolfcamp well and gas producers. And there are red dots
15 on all of the Strawn producers in the area. The thing to
16 notice, too, is that if you look in Section 11, there's four
17 wells there that are in this north Lovington Wolfcamp. And as
18 you mentioned before, the step out on the Purple Humpy. The
19 Purple Humpy is located close to the letter A, which designates
20 the cross section of A prime.

21 And then our analogous well is A prime, the Double
22 Eagle, SV #1. And the thing to notice is that we're basically,
23 on this structure, pretty close to being on strike with the
24 pool, the north Lovington Wolfcamp pool.

25 The reservoir is a fractured carbonate. Some places

1 it's dolomite. In some places it's limestone, but it's a
2 fractured carbonate reservoir.

3 Q. Okay. Thank you. Would you please turn to
4 Exhibit No. 6 and review this for the examiner?

5 A. Okay. Exhibit 6 is cross section AA prime. On
6 the left you see the EOG Resources Purple Humpy 15 #1, and on
7 the right you see Double Eagle SV #1. And you'll notice at the
8 top in blue is the structure correlation on the base of Three
9 Brothers. And then down below is the correlation of the Cisco,
10 the top of the Cisco.

11 The Double Eagle SV #1 has the pay zone marked in
12 red. There's a little red bar there with the pay and it shows
13 the perforations there around 10600 feet. You will also notice
14 there is oil water contact in that well around 10630. That
15 Double Eagle well has produced about 100,000 barrels for the
16 Lovington Wolfcamp.

17 On the left you see there's an asterisk or a star for
18 the proposed completion interval in the Purple Humpy 15 #1 and
19 also an oil water contact there. We picked the Double Eagle SV
20 #1 as an analog. The log character is very similar, showing
21 the fractured spiky, frosty curves in the gamma ray, and then
22 also in the calico curves.

23 Q. On the structure map you've shown that there are
24 some closer wells that produce from the Wolfcamp. Why did you
25 pick the Double Eagle wells versus other wells?

6 A. Yes, they were.

9 EXAMINER JONES: Exhibits 5 and 6 will be admitted
10 into evidence.

13 EXAMINATION

15 Q. The Double Eagle SV well -- that's the extreme --
16 is that the top of the structure there?

18 Q. Okay.

23 Q. Okay. This looks like this is kind of a risky
24 attempt here.

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1 Q. Okay.

2 A. It is. But we want to try to capture these
3 reserves, if we can.

4 Q. So you think you might be able to make enough,
5 but not enough to drill another well; is that the deal?

6 A. And on top of that, we already have the well bore
7 that already exists. When we drilled this well, we had
8 drilling breaks and shows through the intervals, long gas shows
9 and drilling breaks, so we feel like the interval is there and
10 it's worth the risk.

11 Q. Now, these -- you've marked the top of the Cisco
12 here -- or the top of -- and the base of the Three Brothers and
13 the Wolfcamp?

14 A. Wolfcamp, yes, sir. It's a Wolfcamp marker.

15 Q. I'm not familiar with Wolfcamp that much. The
16 pin, I know the -- if you drill a well around Lovington, it's
17 right next to a pin or a strong oil well, and it would be dry,
18 you know.

19 A. Yeah.

20 Q. I had that unfortunate mistake one time myself.
21 I actually saw ~~it~~ ^{a FUSALIND} come up from the drill floor, 12,000 feet
22 down. It had been buried for 300 million years, and here it
23 comes.

24 A. Right.

25 Q. These -- the hanging of these logs, is that

1 structure?

2 A. Elevate --

3 Q. Okay. Based on -- because this well was
4 deviated. Does that mess you up?

5 A. It's been corrected. If you notice on that log,
6 it's hard to read, but that log has been corrected back at TVD.
7 You can't see it. It's --

8 Q. Okay.

9 A. If you look at the depth in the middle of those
10 two logs, it says, at the very first number there, it says
11 "10,400 TVD," so it's been corrected back to true vertical
12 depth.

13 Q. Okay. Did you guys do that with your software?

14 A. Actually, our service company that logged the
15 well for us provided us with that service.

16 Q. Oh, that's right?

17 A. We do it ourselves, also, with the electronic
18 data but they do it for us in these paper copies.

19 Q. Okay. Well, good luck on this one.

20 A. Thanks.

21 EXAMINER JONES: Do you have any questions?

22 MR. BROOKS: No questions. Thank you.

23 MS. MUNDS-DRY: I'd like to call Mr. Chodur.

24

25

1 ANDREW CHODUR

2 after having been first duly sworn under oath,
3 was questioned and testified as follows:

4 EXAMINATION

5 BY MS. MUNDS-DRY:

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

8 A. Andrew Peter Chodur.

9 Q. And where do you reside?

10 A. Midland, Texas.

11 Q. And by whom are you employed?

12 A. EOG Resources.

13 Q. And in what capacity?

14 A. A reservoir engineer.

15 Q. And have you previously testified before the
16 Division?

17 A. No.

18 Q. Could you please give your educational
19 background, first to Mr. Jones.

20 A. I have a degree from the University of Texas at
21 Austin in geosystems engineering and hydrogeology.

22 Q. And other degrees or graduate work after that?

23 A. No, ma'am.

24 Q. What did you do after you graduated?

25 A. I went to work for EOG Resources as a reservoir

1 engineer.

2 Q. And how long have you been with EOG?

3 A. Approximately two and a half years.

4 Q. And are you familiar with the application that's
5 been filed in this case?

6 A. Yes, ma'am.

7 Q. And are you familiar with the reservoir that is
8 the subject portion of the north Lovington Wolfcamp Pool.

9 A. Yes, ma'am.

10 Q. We would tender Mr. Chodur as an expert in
11 petroleum engineering.

12 EXAMINER JONES: Would you please spell your last
13 name?

14 THE WITNESS: C-h-o-d-u-r.

15 EXAMINER JONES: Mr. Chodur is qualified as an expert
16 in petroleum engineering.

17 Q. (By Ms. Munds-Dry): Thank you. Would you
18 discuss the nature of the reservoir in this area?

19 A. Well, as geologist Pat Welch previously
20 mentioned, it's a fractured dolomite interval and there is an
21 oil water contact that we can see in our E-logs. So we have
22 selected the Double Eagle SV #1 as our analog well because they
23 look very similar.

24 Q. Would you please turn to what's been marked as
25 EOG Exhibit No. 7 and identify and review this for the

1 examiner?

2 A. Exhibit No. 7 is a production plot for the Double
3 Eagle #1, and we have time and years on the X axis and
4 production rates on the Y axis. And if you can make the colors
5 out, we have water in blue, oil in green and gas rates in red.
6 And units would be barrels per day and mcf per day and their
7 daily average is calculated for monthly rates.

8 Q. And what are the rates that have been calculated
9 here?

10 A. Yes. You can see the oil production came on at a
11 little over 200 barrels a day. And the well was abandoned when
12 it was producing approximately seven barrels a day.

13 Q. And what do you expect the recovery factor to be
14 for the Purple Humpy well?

15 A. Well, based on our analog well, the Double Eagle
16 #1, we calculate 470,000 barrels in place on a 40-acre basis.
17 And the well produced 100,000 barrels, and this calculates a
18 21 percent recovery factor on a 40-acre basis, which we --
19 which shows that the well is only effectively draining a
20 40-acre area.

21 Q. So based on that study, do you believe that this
22 well will be beyond the proposed non-standard spacing unit?

23 A. No, ma'am.

24 Q. And will other rights be affected?

25 A. No, ma'am.

1 Q. And will the approval of this application be in
2 the best interests of conservation and the prevention of waste?

3 A. Yes, ma'am.

4 Q. And was Exhibit No. 7 either prepared by you or
5 compiled under your direct supervision?

6 A. Yes, ma'am.

7 MS. MUNDS-DRY: We move the admission of Exhibit
8 No. 7 into the evidence.

9 EXAMINER JONES: Exhibit No. 7 will be admitted into
10 evidence.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. The high recovery rate, is that -- does that mean
14 that -- is that a standard recovery rate for this type of dry
15 reservoir?

16 A. Yes, sir. Because this water has a very active
17 aquifer, and so as you pull the oil out of the top of the
18 feature, the water content rises correspondingly, giving you a
19 natural waterflood provided by mother nature. And that's why
20 you get the excellent recovery factor.

21 Q. Okay. So it's --

22 A. And you can see that in the water rate, as well
23 as it initially produced water-free, and through the life of
24 the well, the water production climbed.

25 Q. Yeah. How did they produce this? Was it flowing

1 or were they pumping it?

2 A. We believe it was -- it came in flowing, but was
3 eventually pumped. And they only perforate the very top of the
4 reservoir so they can let mother nature, the oil water contact,
5 rise naturally and provide that effective waterflood.

6 Q. So it's bottom water, or is it --

7 A. Yes, sir.

8 Q. -- side water from the structure?

9 A. It's bottom water. Sir.

10 Q. Bottom water. There are no barriers in the gamma
11 ray log to show that that would not be the case?

12 A. Well, due to the fractured nature of reservoir --

13 Q. I see.

14 A. -- we have very good vertical communication as
15 well as lateral.

16 Q. Okay. Now, how do you know it's fractured?

17 A. Based off our wire line logs, you can see cycles
18 skipping in the sonic as well as caliber -- large caliber
19 washouts where --

20 Q. Oh.

21 A. -- the rock actually came apart.

22 Q. Okay. So the recovery would depend on how hard
23 you pull it.

24 A. Yes, sir.

25 Q. But the pressure would stay up there, right?

1 A. Right. And that's a good point, Mr. Examiner.
2 Because if you look at the oil and gas rates, you can see that
3 the reservoir pressure was maintained throughout the life of
4 the well because the oil and gas rates declined naturally
5 together with no -- your GOR didn't skyrocket indicating a
6 significant depletion component.

7 Q. So the water drive --

8 A. Right.

9 Q. Okay. So it came up through the fractures and --
10 now, if you commingle -- if this maintains its reservoir
11 pressure as it's being produced, the -- and you combine it with
12 a depleted Strawn zone, you're going to have a bunch of --
13 you're going to lose your Strawn right away?

14 A. Yes, sir. And that's a very good point. And we
15 had initially intended to -- we had looked at the possibility
16 of commingling it, but as we further studied the reservoir, we
17 now feel that we probably would not produce it that way.

18 Q. Okay. Okay. So, 21 percent recovery factor?

19 A. Yes, sir.

20 Q. Now, why did you, again, did you guys decide to
21 make this a 40-acre completion instead of an 80-acre? Is it
22 based solely on reservoir engineering? Were the 80 acres an
23 optional second well? I'm sure they were. Most of them were.

24 MS. MUNDS-DRY: You know --

25 EXAMINER JONES: I think it was.

1 MS. MUNDS-DRY: I don't know.

2 EXAMINER JONES: Let see here -- this is it -- 16
3 Wolfcamp.

4 THE WITNESS: I think the answer to your question is
5 that we -- based on our best analogs in the Lovington north
6 field, we feel that we can only effectively drain 40 acres.

7 EXAMINER JONES: Okay, okay. That's the testimony,
8 then. But I think it was --

9 MS. MUNDS-DRY: You know, the rules don't actually
10 provide for an optional well on these particular special pool
11 rules.

12 EXAMINER JONES: These rules are not that old,
13 either. Interesting. Okay. I'll have to look at that, but
14 they're using a limiting GOR of 2000 and a big depth ^{bracket} *et*
15 allowable there. Now, the well as it penetrates the -- within
16 that 40-acre tract, did you look at the survey data on this
17 well?

18 A. Yes, sir.

19 Q. Are you convinced that it's a standard location?

20 A. Yes, sir.

21 Q. Okay.

22 MS. MUNDS-DRY: You know, I take that back. It's
23 phrased in that -- you know how there's sometimes that language
24 in Rule 6? It says, "That in the event that there's more than
25 one well in an 80-acre proration unit." So it does contemplate

1 that you could have an optional.

2 EXAMINER JONES: Okay. So you guys could have spaced
3 this at 80 acres and drilled you another optional well if you
4 wanted to. But -- do you have any questions on this?

5 MR. BROOKS: I don't think I do.

6 EXAMINER JONES: Okay. We're --

7 MS. MUNDS-DRY: I have nothing further.

8 EXAMINER JONES: Thanks very much. We will take Case
9 No. 14093 under advisement. Actually -- I'm sorry. We don't
10 take it under advisement, we're --

11 MS. MUNDS-DRY: Continuing it until March 20th.

12 EXAMINER JONES: Continuing it until March 20th.

13 [Hearing concluded.]

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I do hereby certify that the foregoing is
a correct and true statement of the proceedings in
the Examination of the above named well, as
heard by _____

_____, Examiner
Oil Conservation Division

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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.

A handwritten signature in cursive script, reading "Joyce Calvert", is written over a horizontal line.

JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

3

4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-26 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, this 27th day of
12 February, 2008.

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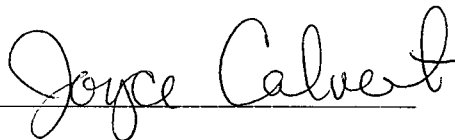
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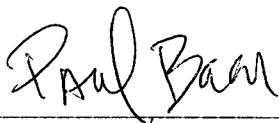
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