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:

CASE NO. 14119

APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY LP FOR AN EXCEPTION TO THE WELL DENSITY REQUIREMENTS OF THE BLANCO-MESAVERDE GAS POOL, RIO ARRIBA COUNTY, NEW MEXICO

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
TERRY G. WARNELL, Technical Examiner
RICHARD EZEANYIM, Technical Examiner

May 15, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, and TERRY G. WARNELL, Technical Examiner, RICHARD EZEANYIM, Technical Examiner, on May 15, 2008, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

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Examiner Hearing
CASE NO. 14119

APPEARANCES

FOR THE APPLICANT:

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501

WITNESSES:

Mr. Alan Alexander, Senior Land Advisor,
Burlington Resources and ConocoPhillips

Mr. Chon Robinson, Drilling Engineer,
Burlington Resources and ConocoPhillips

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MR. WARNELL: Next case is Case No. 14119, Application of Burlington Resources for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin & Kellahin appearing on behalf the applicant. I have two witnesses to be sworn.

MR. WARNELL: Will the witnesses please stand and be sworn?

MR. EZEANYIM: Any other appearance in this case?

MR. KELLAHIN: No.

[Witnesses sworn.]

MR. KELLAHIN: Mr. Examiner, with your permission, we'll have two witnesses to present. Mr. Alan Alexander is a petroleum landman and he's knowledgeable about this area and the parties involved and can testify as to compliance with the notice procedures, talk about the spacing, and focus your attention on the exception we're seeking.

The second witnesses is a drilling engineer who can describe for you the mechanical problems with drilling this well that resulted in the well being at the location that it was drilled.

MR. WARNELL: And the drilling engineer's name is?

MR. KELLAHIN: Mr. Chon Robinson.

MR. EZEANYIM: When you call the witnesses, if they

would stand up and identify yourselves, please.

MR. KELLAHIN: As the application states, Mr. Examiner, we're seeking an exception for the well bore in the Blanco-Mesaverde Gas Pool. While this well is also to be completed in the Dakota, it is not an exception to those rules. It doesn't exceed the density, and it's in the right quarter section for the Dakota.

In the Mesaverde, however, we ended up with two infill wells in this same quarter section, which is not permitted by Division order R-10987-A1, which is a specific order that sets forth the rules that preclude two well bores in the same 160-acre tract.

However, in the spacing unit, the 320-acre spacing unit, we have not exceeded the density. So that's the focus of what has occurred. It was a mechanical problem with one of the tools used to drill the well and monitor it's location. Mr. Robinson is here to explain to you exactly what happened with that well bore.

But to set the stage and your understanding of how we got here, I'd like to call on Mr. Alexander to explain the land situation.

MR. WARNELL: Very good, Mr. Alexander.

ALAN ALEXANDER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. My name is Alan Alexander. I'm a senior land advisor for Burlington and ConocoPhillips located in our Farmington, New Mexico office.

Q. Mr. Alexander, on prior occasions have you testified before the Division and been accepted as an expert petroleum landman?

A. Yes, I have.

Q. Pursuant to your employment by the companies involved, are you familiar with the land configuration for the spacing unit in question?

A. Yes, I am.

Q. And are you also familiar with where that tract lies in relation to the federal unit associated with it?

A. Yes, I am.

Q. Are you also familiar with and have working knowledge for the rules for the Blanco-Mesaverde pool rules?

A. Correct.

MR. KELLAHIN: We tender Mr. Alexander as an expert petroleum landman.

MR. WARNELL: We accept.

Q. (Mr. Kellahin): To set the stage, Mr. Alexander,

would you first turn to the Exhibit book and identify for the record what is shown as Exhibit Tab No. 1.

A. Yes. Behind Exhibit Tab No. 1 is our notice and application, which is the application for the increased density for the San Juan 29-7 Unit No. 58N well located on the west half of Section 26, Township 29 North, Range 7 West.

And then behind the application we have included some exhibits. One of the exhibits is the NMOCD form C-102 that is a plat that has been annotated to show the various distances where the surface and bottom hole are located away from the quarter section lines.

And then behind that tab, we have included the sundry that we filed with the Aztec Office explaining what happened when we drilled the well. And Mr. Robinson will get further into that information later on.

Also are included are some drilling information drilling curves and daily drilling reports behind that.

Q. Having shown those documents, Mr. Alexander, let's turn to tab number two and help the Examiner locate where he is in the San Juan Basin starting off what identifying what we're looking at.

A. Yes. This is a land plat showing the majority of the San Juan Basin. We've indicated on there where the San Juan 29-7 No. 58N well was located. It is located within the San Juan 29-7 federal unit. You'll see on there we've

outlined the towns of Farmington, Bloomfield and Aztec. The blue water is the Navajo Reservoir. This kind of locates you within the San Juan Basin.

Q. Let's turn to Exhibit Tab No. 3 and look more specifically where this spacing unit and well lie within the federal unit.

A. We included a 9 Section plat here with symbology for the existing wells within this 9 Section. We've also shown where the larger black dot is the surface location. That was the location this vertical well was intended to be drilled at.

However, as Mr. Robinson will explain, the hole deviated somewhat and crossed over to the northwest quarter slightly into the southwest quarter, and that's where both the Mesaverde and the Dakota bottom hole.

On this plat, I also wanted to show you the relationship of the participating areas within the federal unit. The green dashed or hatched outline is the Mesaverde participating area. Everything in the 9 Section area is included in the Mesaverde participating area. Therefore, all the ownership is common, and that's why we did not require any notice in this particular case; it's all common ownership.

I did go ahead and include the Dakota participating area just for your information. However, the Dakota is not a density violation, nor is it a violation of the setbacks for -- it is at a standard location. So the Dakota is really not a

part of this case today, except the well was drilled as a Mesaverde and Dakota formation well. We just wanted to include both of these.

Q. Let's look specifically at Section 26. Describe for us what is the problem with compliance with the Blanco-Mesaverde pool rules.

A. You'll see the symbology there. The blue kind of wagon wheel symbols are the Mesaverde wells that are in this area. The red squares are the Dakota wells. You will see that we already have two Mesaverde wells in the southeast quarter -- I'm sorry, the southwest quarter. This is a west half dedication -- however, we only have one Dakota well. So that's why it is not a density violation for a Dakota.

But since the bottom hole crossed over into the southwest quarter, that would make three Mesaverde completions in the southwest quarter, and that is a violation of the rule.

MR. EZEANYIM: While we are seeing this map, could you explain why you think that this -- is this identical? You told me this one was identical here? Can you explain that for us?

A. Yes. The Mesaverde formation within the San Juan 29-7 Unit is fully expanded. So the participating area includes all lands within the San Juan 29-7 Unit. And since they're in a participating area, all people royalties, working interest, overrides, participate in the production from every

well that's drilled in there. Therefore, we do not gave a correlative rights situation because of that.

MR. EZEANYIM: Okay.

Q. (Mr. Kellahin): Let me have you turn to the first documents after the tab for Exhibit 4 and identify what we've marked as 4-1.

A. This is a separate exhibit. This exhibit was also included in the application, but we wanted to spend a little bit more time on it here.

This exhibit is the C-102. It shows that this particular well was, from a surface location, was drilled 2485 feet from the north line and 2075 feet from the west line. That was the intended bottom hole location. However, the mechanical problems caused it to walk south and west. And you'll see that the current bottom hole of that is 1990 feet from the west line and 2600 feet from the south line. And it did cross over the northwest quarter into the southwest quarter.

Q. Mr. Alexander, explain to us why the bottom hole location is not a non-standard location.

A. Well, within the participating areas, which both the Mesaverde and the Dakota we are in the participating areas, you can complete a well up to 10 feet from interior quarter, quarter/quarter section lines. So, therefore, the well did bottom hole some 36 feet from the half section line. So it is

a standard location in that regard.

Q. If terms of compliance with the Division rules for this particular pool, the only noncompliance issue is having it in the wrong quarter section?

A. That's correct.

MR. KELLAHIN: That concludes my examination of Mr. Alexander.

We move the introduction of Exhibits 1 through 3 and the first page of Exhibit 4.

MR. WARNELL: We'll accept the exhibits and the examples.

Mr. Alexander, I have no questions.

EXAMINATION

BY MR. BROOKS:

Q. I do not have my local rule book here with me. Would you refresh my recollection as to -- this is Blanco-Pictured Cliffs?

A. Blanco-Mesaverde.

Q. Blanco-Mesaverde. Sorry. And how many wells are allowed in the -- Blanco-Mesaverde is on 320s?

A. It's 320-acre spacing and 80-acre density.

Q. Okay. So it's 320-acre spacing with four wells allowed per unit?

A. Yes, sir. Per drilling -- per spacing unit.

Q. And you currently have three wells in this unit,

two of which are in the southwest corner; is that correct?

A. That is correct.

Q. So this will make three in the southwest quarter the one in the northwest quarter.

A. Yes, sir.

Q. Now, the Dakota, what is the spacing for the -- this is Basin Dakota?

A. Yes, sir.

Q. And what is the spacing for the Basin Dakota?

A. It is actually the same. It's on 320-acre units and it has 80-acre density.

Q. And it looks like you currently have two Basin Dakota wells in this unit?

A. Yes, sir. That is correct.

Q. They are in the northwest and the southwest quarter respectively, right?

A. Yes, sir. That's correct.

Q. So this will be the second Basin Dakota well in the southwest quarter, so that it is in a quarter section that has a basin Dakota well -- it is in a quarter section that has one Basin Dakota well and in a quarter/quarter section that does not have a Basin Dakota well; is that correct?

A. That is correct.

Q. So that makes it a permitted third infill well -- or second infill, right?

A. That is correct.

Q. Okay. Now I think I understand it. Thank you.

EXAMINATION

BY MR. EZEANYIM:

Q. The only question I have is that the well No. 58N was intended as an []injection well, and you wanted to drill at the same location in that Unit F, right?

A. The N is the infill nomenclature for the Dakota. We name them after the deepest formation.

Q. I'm not talking about the N, but the intention of that well, you wanted to drill it as a []injection well?

A. Yes, sir. Correct.

Q. But because of LMT, you changed it to Unit K?

A. Yes, sir. It was originally scheduled for Unit F.

Q. To comply with the 1.B? To comply with 1.B of that rule, right?

A. Yes, sir.

Q. But because of -- I know the engineer is coming up to tell us why -- but because of that mechanical problems, you know, you were working in Unit K, right?

A. Yes, sir. That is correct.

Q. I just wanted to understand before he shows up.

MR. WARNELL: Okay, very good. The witness may step down. Thank you, Mr. Alexander.

Next witness, please.

MR. KELLAHIN: Mr. Examiner, we call Mr. Chon Robinson.

CHON ROBINSON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Robinson, for the record, would you please state your name and occupation.

A. Chon Robinson. I'm the drilling engineer and supervisor for ConocoPhillips in Farmington, New Mexico.

Q. And where do you reside?

A. Farmington, New Mexico.

Q. As part of your responsibilities was it your responsibility to supervise the drilling of this well?

A. It is.

Q. Others are working under your direction and control?

A. Correct.

Q. Are you knowledgeable about what happened with this well bore?

A. I am.

Q. And therefore can describe the filings and the mechanics and the tools used and the problems associated with

it?

A. I can.

MR. KELLAHIN: We tender Mr. Robinson as an expert drilling engineer.

MR. EZEANYIM: Before you answer, can you state your name for the record?

THE WITNESS: Chon Robinson.

MR. EZEANYIM: Mr. Robinson, do you happen to be a licensed PE?

THE WITNESS: I'm not. I'm an engineer in training.

MR. EZEANYIM: So you have a --

THE WITNESS: I have not taken the PE exam.

MR. EZEANYIM: Very, good.

MR. WARNELL: We'll accept him as an expert.

Q. (By Mr. Kellahin): Mr. Robinson, take a moment and summarize us for us the structure under which you operate and control the drilling of this well bore?

A. Again, I'm the drilling engineering supervisor. I have seven drilling engineers that work with me. And most of them are relatively young, new to the industry, so I take a pretty active role in mentoring and helping them. In fact, the rig that drilled this particular well, I was the drilling engineer the month prior. I was just made the supervisor, so I participated in the design of the wells for that rig line.

Q. Let's look specifically for the circumstances for

this well bore and have you give us an overview of what happened, and then we'll come back and look at individual documents and the data.

A. Okay. If turn to Exhibit 5, on this particular well, in the 29-7 area, we've historically had severe hole problems while drilling the intermediate hole, which is down to approximately 3600 feet. In that hole section, we can drill it quite quickly, but many times it takes us two, possibly three, and we've seen as many as five days to get out of the hole after we've drilled that hole prior to successfully getting casing to bottom. Sometimes we have to run the casing multiple times.

So in an attempt to improve that performance on the drilling curve and save money, we had instituted use of an under-reaming tool, which drills a slightly over-gauged hole. The thought process being that if we drilled a slightly over-gauged hold to what we normally did, we'd be able to get out of the hole, get the casing in the ground, in a more timely fashion. And, in fact, we were able to do that. One of the fastest wells we drilled used this same BHA and bottom hole assembly and reaming tool.

So on this particular well, if you look at the first page in Exhibit 5, I'll walk you through the process that we used to drill this well. This is Report #4 you'll see in the top right corner.

So we're a little ways into the well. We've set surface casing, we've begun -- we've tested and nippled up our pull-out preventers, and we're about to drill ahead. Hopefully, your copies have two highlighted areas. So if you look at the first highlighted line where it shows a 9 7/8 RWD Reamer assemble, that's the particular tool that allows under reaming the hole to slightly over gauge what we normally drill.

The second highlighted portion shows us beginning drilling. So we started drilling 234 feet to 888 feet on this particular day. If you turn two pages back, we survey every -- approximately every 500 feet. Hopefully, two pages back. It's still report four, and in the top left, you'll see the actual surveys that were taken. The survey at 421 feet was 1 degree, 6234 feet was 2 degrees, and 829 feet was 1 degree.

So at this point, everything looked good. We were drilling vertically.

Q. What do those numbers mean to you?

A. That there's no issue. We're drilling vertically.

Q. At what point would those numbers be large enough that you would have a point of concern?

A. At 3 degrees, you'd start paying attention; at 4 degrees, you'd change your operating procedures. Because at 5 degrees, the well changes the kind of classification and we need to provide additional survey work. And, obviously, it's

not -- it's getting away from vertical.

Q. The intervals at which you gauge your location and depth are where? Are they required by Division rules?

A. They are. The rules states 500 feet or nearest bit trip. And rules were written a long time ago, so originally bit trips were 500 feet or less. Now we can drill the entire section 3,000-plus feet in one bit. But we still survey approximately every 500 feet.

Q. What happens then?

A. So at this point, again, at the end of day four, we look -- everything looks great.

Turn one page over and you're on Report #5. So at 8:30 in the morning, we drilled another couple hundred feet. And at 1,016 feet, we ran -- you can see two Teledrift surveys. The reason we ran two is because the first showed 6. The Teledrift tool maxes out at 6 degrees in the particular design that we run. And what that tells us is, if you see a 6, either the well is at 6 degrees inclination or greater.

If doesn't -- if it's at a 20 degrees, it won't say 20. It will say 6. So at that point, we knew we had an issue, and we began to try and remediate it.

Q. Does this tool tell you the actual direction you're drifting?

A. It does not.

Q. So it just gives you the magnitude of drift, but

it doesn't tell you where you are?

MR. EZEANYIM: Excuse me. This drift, let's go back to that sheet that says 1 degree or 2 degrees. So far, is that correct?

THE WITNESS: Yes.

MR. EZEANYIM: Or something was wrong with the drift?

THE WITNESS: It ends up on the very last survey on Report #4. That was an incorrect -- that was the tool malfunction.

MR. EZEANYIM: Those readings?

THE WITNESS: Correct. At that depth, it should have read approximately 6 degrees.

MR. WARNELL: What was that depth, then, is that the 829?

THE WITNESS: Correct.

MR. EZEANYIM: But it's reading 1 degree.

THE WITNESS: Correct.

MR. EZEANYIM: Do you know why is that? If you have that tool, and it's giving you that, are you going to use that tool again? I mean, why is it reading 1 instead of 6? Do you know why is it doing that?

THE WITNESS: Obviously, it's a tool malfunction. We drilled approximately 330 wells last year. Of those 330 well, we used the Teledrift tool on approximately 280 wells. And on those 280 wells -- we do have Teledrift failures -- this is not

the first time it's ever failed. But it's a very low number, less than 5 percent.

MR. EZEANYIM: Is that all?

THE WITNESS: Yes. But, unfortunately, in this case, it resulted in extreme -- an extreme case. Normally it's not. We were close to a lease line or a mid section line, so it resulted in something not as good as we had hoped.

MR. WARNELL: Mr. Robinson, let me as you. Back on Report #4 there, you said that -- you testified that you're taking a survey every 500 feet, generally. But yet here you're taking between 400 and 800 feet, you've taken three surveys. Am I reading that right?

THE WITNESS: Yeah.

MR. WARNELL: And then your next survey is over on Report #5, where we're down just past 1000 feet.

THE WITNESS: Right. So, again, we're exceeding -- the requirement is 500. We're doing less than 500.

MR. WARNELL: Less than that.

THE WITNESS: But still the result was still poor.

Q. (By Mr. Kellahin): Pick up with your discussion. What happens now?

A. Now, again on Report #5 we see that we have an issue. We begin to -- if you read the rest of that page, you can see that we run another tool called a TOTCO survey which can measure up to 20-some-odd degrees. You can see at that

point, we ran the TOTCO twice, the first time not believing it because it showed 9 degrees. We ran it again and it showed 10. So we knew at that point we had a pretty significant issue. We pulled the TOTCO survey up hole to the 835 feet which would be analogous to our previous 1 degree survey depth and got a result of 6.

At that point, we came out of hole and laid down the RWD tool and proceeded to drop. We now have a well bore that's at 6 degrees. And we need to drop it back to vertical, because which was the original intent of the well.

Q. And how did you do that?

A. We ran a -- what's called a pendulum assembly. It will just naturally will drop at approximately two degrees per hundred feet of measured depth drill.

Q. Continue on and tell us how you ended up where you did in the bottom hole location.

A. So we drilled that intermediate section to TD, we ran the seven-inch casing, and then proceeded to air drill, and drilled that section to TD and then cemented casing. And then subsequent to that, we ran a gyro survey, which is, I believe in Exhibit 4.

Q. We'll come back to that in and a minute.

A. Okay.

Q. In the daily drilling reports, you've highlighted some of the reports early on. Does Exhibit 5 contain all the

daily drilling reports should the Examiners care to look at the entire sequence?

A. It does. From spud to TD of the well, they are all there. We just put the relevant ones at the front.

Q. Let's turn to Exhibit Tab No. 6. What is included behind Exhibit Tab No. 6?

A. Exhibit 6 is some information regarding the RWD tool. It's a Hughes Christensen tool. Essentially, you screw a bit onto the base of that tool, a pilot bit. And you can see that it's eccentric, so it doesn't drill a circle like a normal bit does. It has an arm that walks around the hole and enlarges the hole. It's just some information on that tool.

Q. Let's turn back to Exhibit Tab No. 4, Mr. Robinson, and pick up with the exhibit that Mr. Alexander was talking about, this Exhibit 4-1 and look at the C-102.

Does it accurately represent the surface location where you started and the bottom hole actually drilled?

A. It does.

Q. Turn past that and let's look at Exhibit No. 4-2. What does this represent?

A. This is the sundry and the details on how this occurred and the survey results.

Q. Once you learned of this problem, then you reported timely to the Oil Conservation Division in Aztec?

A. We did.

Q. Is that what was accomplished with this form?

A. That's correct.

Q. Following that form, let's look at the visualization of the well bore survey. If you'll look at Exhibit 4-3, what are we seeing here?

A. This is a pictorial diagram showing the actual angle of the well bore. The box on the top right is if you were standing, looking from an aerial view of how the well moved from surface to TD.

Q. If you start with the far left column and read down to 1000 feet and then read to the right and intersect the curve, that will show you the drift of the well bore at that point of depth?

A. Correct.

Q. Once you have discovered what's happening with the mechanical failure, what happens then to the curve as it proceeded down?

A. We continued to deviate further from the current place where we had run the survey.

Q. At what point in this curve are you attempting to correct the tool error or failure in trying to get to the bottom hole location?

A. From that 1,012 feet.

Q. So all the rest of this curve represents the effort to get the well bore back to where it needs to go?

A. Correct.

Q. Following that Exhibit 4-3, there's a numerical tabulation shown as 4-5, and it should be 4-6. What are these tabulations?

A. At the top you'll see the original Teledrift surveys. And on the bottom you'll see the gyro, which is the definitive survey. So it contains both an inclination and an azimuth.

MR. WARNELL: I lost my place.

MR. KELLAHIN: Let's go back to Tab 4 and if you turn all the way to the end of Tab 4 and turn back two pages, you're going to see a numerical tabulation.

THE WITNESS: Right behind the picture.

MR. EZEANYIM: Before 5-5.

THE WITNESS: One page.

MR. KELLAHIN: It should be 4-5.

MR. WARNELL: There it is. Excuse me.

MR. KELLAHIN: And then just ahead of that would be a graphic depiction of the plot.

MR. WARNELL: Right, where it shows the walk.

THE WITNESS: The graph is created from the numbers.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Robinson. We would move the introduction of Exhibits 4 through 6.

MR. WARNELL: So be it. We'll accept Exhibits 4

through 6 and open it up for questions.

MR. BROOKS: Just -- if I remember right, were you the drilling engineer that testified for ConocoPhillips at the pit rule hearing?

THE WITNESS: I was.

MR. BROOKS: I thought that was the.

MR. KELLAHIN: Was that a mistake to bring him back?

MR. BROOKS: No, actually, I was very impressed with the competence and articulateness of your testimony on that occasion. And I was, again, this morning. And thank you for explaining something that a lawyer would have great difficulty understanding in this case.

I won't admit I didn't understand the pit rule case.

That's all I have.

EXAMINATION

BY MR. EZEANYIM:

Q. Yeah. What would happen if you would have drilled that well with a normal assembly. If you wanted to drill it with a normal assembly, but you wanted to save time?

A. Correct.

Q. But you wanted to ream it? Okay, if you had drilled it with a normal assembly, would this have occurred? Would this situation have occurred, do you think?

A. That's a good question. With conventional assemblies, we do have similar issues, so we don't know

definitively that had we drilled it with a normal 8 3/4 assembly without the RWD that the same thing would not have occurred. Because a lot of -- not a lot, but we've experienced at least three other wells that can remember where something very similar happened. We didn't cross a line that mattered, but we got severe inclination requiring remediation where we had to drop it back and then run gyros. So I can't definitively say that the RWD contributed to ti. I can say that we are not running it anymore because we have had two instances with this type of assembly where we built angle that we had to remediate. So we discontinued that until we can figure out if that is an issue.

Q. Explain to me again why you wanted to use the RWD. You know, because you said why you had used it, but I didn't catch that. Why do you use it?

A. Essentially to save time, which is money, because we pay daily for the rig and all the equipment while we're drilling, during the drilling operation. So many times we can drill that whole section in two days. And then, in this particular 29-7 area, many of the offset wells nearby have severe hole problems. And once we've drilled to TD, we're unsuccessful getting out of the hole. We have to ream out of the hole with a conventional 8 3/4 assembly. And sometimes we'll attempt to run 7-inch casing and it's get stuck or not reach the bottom and we'll have to pull the 7-inch out and make

a wiper trip. So it was an attempt to save time.

Q. And money.

A. Correct.

Q. Okay.

MR. WARNELL: Any other questions?

MR. EZEANYIM: No.

EXAMINATION

BY MR. WARNELL:

Q. A couple of questions, Mr. Robinson. About which depth were you at here on the directional plot when you went from Unit F into Unit K?

A. Turn back one page.

Q. Is that Exhibit 4-3?

A. Yes. That would give you the -- unfortunately the curve is covered by the top view, but you can roughly ascertain that between, where you can see the curve, it would be a nice gentle curve.

Q. Okay.

A. So at 155 feet, I would say about 24- to 2600 feet would be my guess.

Q. Okay.

A. If you go over to the gyro data, the subsequent data, you can see it at 2500 feet. You've got in the survey data reading lines across the top, you've got "Date MD," which is major depth inclination azimuth.

Q. Okay.

A. TD is vertical depth. VS is vertical section. That's -- if you look down and find 155 feet, you're out about 2500 major depth.

Q. Okay. I see that. Thank you.

And so then you went ahead and you drilled down to a TD of -- TD was approximately what?

A. 7550.

Q. 7550 -- logged and set pipe and then what happened? Did you complete the well?

A. We have completed it.

MR. EZEANYIM: 7500, is that TD? MD is major depth?

THE WITNESS: The 7550 number that I reference is a major depth of 7541. TBD is the volume survey.

Q. (By Mr. Warnell): So the well has been perforated. Do you have -- I don't know if it's in here, but do you recall the depth of perf, top and bottom?

A. I don't know that information.

Q. And the present status of the well right today?

A. I'm not sure. Alan may know.

MR. ALEXANDER: We shut in either the -- we shut in one of the wells so that we would not be in violation. It was either the 58N, I think -- I believe the 58N is producing. We wanted to get it cleaned up. It was producing about 800 NCF a day, and we shut in one of the other 58 wells so that we would

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not be exceeding the density in terms of production. And it remains shut-in today until you gentlemen decide whether we will proceed with operating all wells in there.

MR. WARNELL: So you would have shut-in 58A or --

MR. EZEANYIM: 58.

MR. WARNELL: -- 58M is it?

MR. ALEXANDER: Yes, sir. I can provide that information to you, which one we did shut-in.

MR. EZEANYIM: You said 58.

MR. ALEXANDER: It was one of the 58 wells.

MR. WARNELL: If you can verify that, I'd appreciate it.

MR. ALEXANDER: I certainly will.

MR. WARNELL: I have no further questions.

MR. KELLAHIN: Thank you, Mr. Examiner.

MR. WARNELL: The witness may step down.

MR. KELLAHIN: We'd like you to take this case under advisement, subject to us sending you the information on which wall was shut-in.

MR. WARNELL: I appreciate that.

This case will be taken under advisement. And for the record, that's Case No. 14119.

[Hearing concluded.]

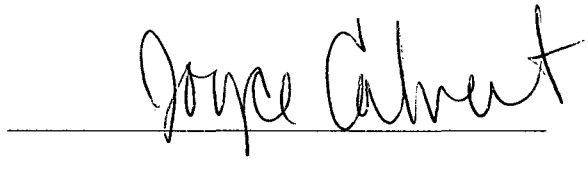
I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 14119 heard by me on May 15, 08

TW, Examiner
Oil Conservation Division

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.



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

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-27 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, 15th day of May, 2008.

Joyce D. Calvert
Provisional License #P-03
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