

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 STEVENS AND TULL, INC., )  
 FOR COMPULSORY POOLING, LEA COUNTY, )  
 NEW MEXICO )

CASE NO. 11,875

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 6th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, November 6th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

November 6th, 1997  
 Examiner Hearing  
 CASE NO. 11,875

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\* \* \*

## A P P E A R A N C E S

FOR THE APPLICANT:

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:55 a.m.:

3           EXAMINER CATANACH: Call the hearing back to  
4 order, and I'll call Case 11,875, which is the Application  
5 of Stevens and Tull, Inc., for compulsory pooling, Lea  
6 County, New Mexico.

7           Call for appearances in this case.

8           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
9 the Santa Fe law firm of Kellahin and Kellahin, appearing  
10 on behalf of the Applicant, and I have two witnesses to be  
11 sworn.

12           EXAMINER CATANACH: Call for additional  
13 appearances.

14           Okay, will the two witnesses please stand and be  
15 sworn in at this time?

16           (Thereupon, the witnesses were sworn.)

17                       JERRY L. WEANT,

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

20                               DIRECT EXAMINATION

21 BY MR. KELLAHIN:

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

24           A. Yes, my name is Jerry Weant and I am the sole  
25 landman for Stevens and Tull, Inc.

1 Q. On prior occasions have you testified before the  
2 Division as a petroleum landman?

3 A. Yes, I have.

4 Q. And you've testified in prior compulsory pooling  
5 cases, have you not?

6 A. Yes, I have.

7 Q. As part of your efforts to consolidate on a  
8 voluntary basis the various interest owners for the  
9 drilling of this well within this spacing unit, has that  
10 been your responsibility?

11 A. Yes, that has.

12 Q. Are you familiar and knowledgeable about the  
13 ownership of the interests within this spacing unit?

14 A. Yes, I am.

15 MR. KELLAHIN: Mr. Examiner, we tender Mr. Weant  
16 as an expert witness.

17 EXAMINER CATANACH: He is so qualified.

18 Q. (By Mr. Kellahin) Mr. Weant, if you'll take our  
19 exhibit book, which is marked as Exhibit 1, open the binder  
20 and turn to the first tab, it says "Plat". If you'll turn  
21 behind the tab, let's look at what you're proposing to do.

22 A. Okay. This plat reflects the acreage which we  
23 are wanting to have pooled in this compulsory pooling  
24 order. It's shaded in yellow. It's Unit G of Section 24.

25 The solid blue acreage represents acreage which

1 is operated by Stevens and Tull, Inc. The hached blue  
2 acreage represents lands in which we own a leasehold  
3 interest but are currently not the operator.

4 Q. The type of well you're proposing to drill is  
5 what, sir?

6 A. We are proposing to drill an Abo test.

7 Q. From the surface to the base of the Abo within  
8 this area, how many producing formations do you find?

9 A. There are four different formations, the  
10 Blinebry, Drinkard, Tubb and Abo.

11 Q. Recently, have you appeared before the Division  
12 for a compulsory pooling case for a well in the southeast  
13 of the southeast of 25, which is the section immediately to  
14 the south of the present section?

15 A. Yes.

16 Q. As a result of that hearing, did the Division  
17 issue a compulsory pooling order?

18 A. Yes, they did.

19 Q. And in that order were you afforded the  
20 opportunity to recover your costs plus an additional 200  
21 percent from any nonconsenting working interest owners?

22 A. Yes, we were.

23 Q. Let's turn to the information behind the plat and  
24 have you identify and describe the working interest  
25 ownership in this particular spacing unit in Section 24.

1           A.    As the schedule reflects, Stevens and Tull, Inc.,  
2           owns better than 87 percent of the leasehold interest in  
3           this acreage that was shaded yellow, Yates Petroleum owns a  
4           little over 11 percent, and Liberty Trust Company as  
5           trustee for the benefit of the Montgomery/Walker 1970 trust  
6           owns the remaining 1.5625-percent mineral interest.

7           Q.    As of the date of the hearing, do you anticipate  
8           that you may be able to reach a voluntary agreement with  
9           Yates Petroleum Corporation?

10          A.    Yates Petroleum has advised us that they have  
11          executed our AFE and operating agreement and are returning  
12          them in the mail.

13          Q.    As of to date, you have not received the  
14          confirmation in writing about that participation?

15          A.    That is correct.

16          Q.    All right. So we'll need to leave them on the  
17          schedule until you receive that confirmation; is that not  
18          true?

19          A.    That is true.

20          Q.    Identify the last interest.

21          A.    That is an interest, as we said, it's Liberty  
22          Trust Company. They are the record owners of the 1.5625-  
23          percent mineral interest. They represent the  
24          Montgomery/Walker, 1970 trust.

25          Q.    All right, and this is a mineral interest,

1 therefore it's not subject to a lease?

2 A. That is correct.

3 Q. Let's turn to the next information behind the  
4 tabulation of ownership, and what do we have?

5 A. This is a chronology of our attempts to acquire  
6 an oil and gas lease from the Liberty Trust Company for the  
7 trust that the represent.

8 As you can see, we sent our initial request back  
9 in November of 1996 to the Liberty Trust Company.

10 Q. How did you identify that Liberty Trust Company  
11 had a mineral ownership in the spacing unit back in 1996?

12 A. We had a leasehold takeoff prepared on this  
13 particular tract of land.

14 Q. All right, sir. What then happened?

15 A. The letter was returned, being -- It was unable  
16 to be delivered to the address which was reflected for  
17 Liberty Trust Company in Odessa, Texas.

18 Based on our prior leasehold takeoff, the lease  
19 was signed by Mr. W.M. Furman as president of Liberty Trust  
20 Company.

21 We then looked up his phone number in the Odessa  
22 phone book and contacted Mr. Furman -- or attempted to  
23 contact Mr. Furman. His wife, Mrs. Furman, answered the  
24 phone, and basically told us that someone would be getting  
25 back to us in the near future regarding this interest.

1 Q. Did that happen?

2 A. We made several phone calls back when we didn't  
3 get an immediate response to -- and discussed with Mrs.  
4 Furman.

5 She later advised us that there was an attorney  
6 out o Oklahoma City named John E. Patterson, Jr., who was  
7 representing or who was working in conjunction with the  
8 Liberty Trust Company, or what was left of the Liberty  
9 Trust Company, to manage the trust that it represented.

10 Q. Then did you contact Mr. Patterson?

11 A. Yes, we did.

12 Q. And what did he advise you?

13 A. He advised us at that point in time that Mr.  
14 Furman was currently residing in a federal penitentiary in  
15 Colorado -- we did know -- not get into the specifics as to  
16 why -- but that he was basically the contact person for  
17 these trusts at this point in time.

18 Q. So Mr. Patterson did not refer you to any other  
19 principal of this company but instead accepted  
20 responsibility for your inquiry?

21 A. That is correct.

22 Q. And what then did you do?

23 A. We commenced communications with Mr. Patterson,  
24 and he advised us that he, along with Mr. Furman -- he  
25 would contact him, and they would attempt to get a

1 successor trustee appointed.

2 And as you can tell from the chronology, this  
3 carried on for probably seven or eight months without any  
4 success.

5 We were continually told that, Just give us a  
6 couple more weeks and a new trustee will be appointed;  
7 we're in the process of getting the paperwork taken care  
8 of.

9 Q. As of September 10th, 1997, on the second page of  
10 the chronology, what was the result of your contact with  
11 Mr. Patterson at that time?

12 A. He had advised us that there still had not been a  
13 trustee appointed and that he did not know what timetable  
14 we could have a new trustee -- or a new trustee would be in  
15 place at that point in time.

16 Q. On October 30th of this year, did you have  
17 another occasion to contact Mr. Patterson?

18 A. Yes, we did.

19 Q. And what transpired?

20 A. We advised him about the hearing. Being that he  
21 was an attorney in Oklahoma City, he was familiar with  
22 compulsory pooling hearings for the State of Oklahoma.

23 He advised us that he currently, at that point in  
24 time, could not do anything to grant us an oil and gas  
25 lease on this tract of land.

1 Q. Behind the tabulation of this chronology, have  
2 you provided documentation to the Examiner of your various  
3 written communications to Mr. Patterson?

4 A. Yes, I have.

5 Q. Do those communications include a proposed cost  
6 for this well?

7 A. Yes. Yes, sir.

8 Q. All right. Let's go to the next tab that says  
9 "AFE". It's the blue tab. Would you turn behind the blue  
10 tab?

11 A. Okay.

12 Q. What do you find?

13 A. That is our AFE for our Terry Number 1 well.

14 Q. Do you have an opinion as to whether this is a  
15 fair and reasonable AFE estimate for the Terry Number 1  
16 well?

17 A. Yes, I do. We believe this is a very reasonable  
18 cost to drill and complete this well.

19 Q. Upon what basis do you base that conclusion?

20 A. Behind the pink tab or the pink sheet there are  
21 three different wells that are represented here. Two of  
22 the wells that are shaded or highlighted in yellow are  
23 wells that have been drilled by Stevens and Tull on direct  
24 offset tracts.

25 Our Kyte Number 4 was drilled to the -- It was an

1 Abo test. The Abo was dry. It was subsequently -- tried  
2 to be completed in the Tubb formation. After unsuccessful  
3 attempt there, it was recompleted to the Blinebry  
4 formation.

5 The second well that's represented is our DK 5  
6 well, which was drilled down to the Abo formation in  
7 Section 25. There again, it was not productive in the Abo  
8 formation, and it was completed as a Drinkard well.

9 And the last well that's represented and  
10 highlighted in orange is Collins and Ware's M&M Number 1  
11 well, which was drilled strictly to the Tubb formation,  
12 about a thousand feet less than ours.

13 And if you compare all the costs, if you --  
14 Stevens and Tull has been able to drill and complete these  
15 wells at a lesser expense than Collins and Ware, who's a  
16 direct -- a competitor of ours in this acreage.

17 Q. Okay. Let's turn now to the question of the  
18 operating agreement. When we look behind the tab that  
19 contains, then, the operating agreement, is this the  
20 agreement that you have submitted to Yates Petroleum  
21 Corporation?

22 A. Yes, this operating agreement has been submitted  
23 to both Yates Petroleum and to Liberty Trust Company, or to  
24 Mr. Patterson on behalf of Liberty Trust.

25 Q. As part of that submittal, what have you proposed

1 to be the overhead rates on a monthly basis for a drilling  
2 well and then for producing well?

3 A. The drilling well rates are \$4500, the producing  
4 well rate is \$450.

5 Q. And is that the rate that Yates has accepted to  
6 have this well operated under?

7 A. Yes, it is.

8 Q. Is that rate consistent with your overhead rates  
9 for other wells of this type in this vicinity?

10 A. Yes, it is. And that's based off of information  
11 gathered through the American Petroleum -- through the  
12 American Association of Petroleum Landmen.

13 Q. At this point, Mr. Weant, do you believe you've  
14 exhausted a good-faith opportunity to consolidate the  
15 interest owners on a voluntary basis?

16 A. Yes, sir.

17 MR. KELLAHIN: Mr. Examiner, that concludes my  
18 examination of Mr. Weant.

19 We move the introduction of that portion of  
20 Exhibit that contains the exhibits to which he's referred.  
21 They are from the "Plat" tab all the way up to the tab that  
22 says "Geology".

23 EXAMINER CATANACH: Those exhibits will be  
24 admitted as evidence.

25 I have no questions of this witness.

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GEORGE J. ULMO,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. All right, sir, would you please state your name and occupation?

A. My name is George Ulmo. I'm a geologist.

Q. Mr. Ulmo, on prior occasions have you testified before the Division in your capacity as a petroleum geologist?

A. Yes, I have.

Q. And in fact, you last testified before this Division in a compulsory pooling case?

A. Yes, that's true.

Q. And it dealt with the Well Number 6 down in Section 25?

A. Correct.

Q. As part of your continuing study in this area, have you formed geologic opinions concerning the risk involved for the drilling of this well?

A. Yes, I have.

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

EXAMINER CATANACH: He is so qualified.

1 Q. (By Mr. Kellahin) Let's turn to Exhibit 1 and  
2 find the tab that says "Geology", and if you'll turn behind  
3 that tab with me, what is it that we first see?

4 A. This is a short write-up, a short report,  
5 concerning this prospect.

6 Q. All right. Let's turn behind the written report  
7 and look at the first display. Identify the display for  
8 me.

9 A. The first map is a cumulative production map  
10 showing production through March, 1997, unless otherwise  
11 indicated. I've tried to put more recent production on  
12 some of their wells that we operate or have interest in.

13 Q. Okay.

14 A. It shows the production from the main four  
15 reservoirs out here, Blinebry, Tubb, Drinkard and Abo. And  
16 the numbers reflect thousands of barrels of oil and million  
17 cubic feet of gas that each well has produced to date.

18 Q. Do you have an ultimate conclusion concerning a  
19 recommendation for a risk-factor penalty to be assessed in  
20 this case?

21 A. Yes.

22 Q. And what is that percentage, sir?

23 A. 200-percent penalty.

24 Q. When we look at each of the four opportunities  
25 for production in this area, are we dealing with oil

1 production?

2 A. Yes, oil and associated gas.

3 Q. When you look at the Tubb formation, what is your  
4 assessment of the risk of obtaining a commercial well in  
5 the Tubb formation at this location?

6 A. The -- Let's see, the Tubb is slightly more risky  
7 than the other formations at this particular location,  
8 because the wells just east -- just west of the location in  
9 Section 24, were all noncommercial in the Tubb.

10 Q. When you look at the Abo formation, what's your  
11 assessment of the risk involved in that formation?

12 A. The Abo is a structurally controlled reservoir,  
13 whereas if you are high you find oil above oil-water  
14 contact, if you come in low you'll encounter water. And  
15 our location is far removed from any high structural wells.  
16 We believe the structure may run through the east half of  
17 the section, but that's conjectural and needs to be  
18 determined by drilling.

19 Q. What's your assessment of the risk involved for  
20 an opportunity to produce hydrocarbons out of the Blinebry  
21 reservoir?

22 A. The Blinebry seems to be more -- lower risk than  
23 the rest. Some of the lower wells out here produce from  
24 the Blinebry, and in fact most of the wells have shows in  
25 the Blinebry, but we don't have a good production history

1 on the nearby wells from the Blinebry. These are all very  
2 recent completions.

3 And the nearest well that has any commercial  
4 Blinebry production is down in Section 23, which is west of  
5 Section 24, in the -- It's just west of the Stevens and  
6 Tull NMFU Number 1. That well has made 39,000 barrels.  
7 And the well north of that actually has made 58,000 barrels  
8 from the Blinebry. So those two are the nearest commercial  
9 Blinebry wells that have actually made enough oil to pay  
10 out a well.

11 Q. Let me have you summarize your conclusions with  
12 regards to the Drinkard.

13 A. Okay, the Drinkard, similar to the Abo in risk.  
14 It produces onstructure. The nearest Drinkard production  
15 is down south and southeast, in the DK Abo field, Section  
16 30, which is in the bottom right-hand portion of the map.  
17 And we believe that if the well comes in high structurally  
18 and has porosity in the Drinkard, then we'll have a  
19 commercial Drinkard well.

20 Q. Of the four reservoirs that you're looking at at  
21 this location, which ones represent your best opportunity?

22 A. Best opportunity as far as risk goes, or --

23 Q. The one where you think that you may obtain  
24 commercial oil production.

25 A. Okay. Well, the prospect is based -- mainly an

1 Abo and Drinkard prospect.

2 Q. All right, let's look at those maps, then. If  
3 you'll turn to the Abo structure map --

4 A. Okay.

5 Q. -- when we look at the Abo structure map, assess  
6 for us why in your opinion this is still a high-risk  
7 prospect.

8 A. Okay. The structure as mapped is the best case  
9 that we could map. We think there may be a structure  
10 running through the east half of the section which is  
11 separated from the west half by a few wells which delineate  
12 a syncline. And if this is true, then this structure would  
13 be a northern extension of the DK Abo field.

14 The only wells which really support that  
15 structural interpretation are to the northwest of the  
16 proposed location, the Collins and Ware M&M 4 and the  
17 Collins and Ware Sharps Number 2. Those wells came in  
18 slightly high to wells just west of there and seem to  
19 indicate that the structure is coming up again to the east.

20 Q. When we look at your structure map and compare it  
21 to the cum production map, the plat just before this, the  
22 current northern extension of Abo production appears to be  
23 substantially south of your current location?

24 A. That's true. The only Abo production out here is  
25 in Section 25 and 30, which are several locations south of

1 our proposed location.

2 Q. Other than the Abo, I believe you said the  
3 Drinkard was another primary target of the four?

4 A. That's true, and the production from the Drinkard  
5 is also in the same area as the Abo, down in the DK Abo  
6 field.

7 And those two reservoirs have the highest known  
8 reserve potential. The Abo, a good well, will make about  
9 100,000 barrels; and a good Drinkard well could make about  
10 100- -- or 200,000. There's actually one well that's made  
11 more than 200,000.

12 Q. When we look in Section 4 and look at your  
13 proposed well location, were there any other attempts in  
14 the northeast quarter of Section 24 that tested any or all  
15 of these reservoirs?

16 A. Yes, there's a dry hole in Unit Letter A in that  
17 section.

18 Q. Okay.

19 A. And it went to the Abo formation and did not  
20 recover any hydrocarbons on completion.

21 Q. Your location appears to be on the northeastern  
22 extent of any established production in any of these  
23 reservoirs?

24 A. That's true.

25 Q. Let's look at the established production west of

1 your location. Is there sufficient production history on  
2 any of those wells by which you can establish a reliable  
3 estimate of ultimate recovery for those wells?

4 A. No, there's not. All those wells, with the  
5 exception of the one in the southwest corner of the  
6 section, have been drilled within the last year. All the  
7 wells in the west half of Section 24 and the two wells  
8 north of Section 24, all those are recent wells.

9 Q. Mr. Ulmo, what type of reservoir are you dealing  
10 with here, in terms of its drive mechanism?

11 A. Solution gas drives.

12 Q. Is there competition currently going on among the  
13 operators for that production?

14 A. Yes, that -- Yes, there is. Collins and Ware is  
15 actively pursuing this trend, Xeric has offset our Federal  
16 24 lease to the east, on the Abo. They have a -- They plan  
17 to drill a well just north of our proposed location in Unit  
18 Letter B in the near future.

19 Q. The northwest of 24 is controlled by Collins and  
20 Ware, is it not?

21 A. Yes, it is.

22 Q. Is there any indication that possible drainage  
23 could be occurring?

24 A. We think there is. Recently in -- One of the  
25 wells Collins and Ware operates, the Payday Number 1, was

1 recompleted in the Blinebry, and it was formerly producing  
2 from the Tubb. And when they shut the Tubb in to work on  
3 the Blinebry, we noticed a response in our offset -- I  
4 believe it was our Kyte Number 3 well, which is to the  
5 west.

6 Q. In your opinion will you have the opportunity to  
7 wait for production to be established and decline curves  
8 calculated for production west of you before you drill this  
9 well?

10 A. No, I don't believe that we should wait that  
11 long. We'll suffer drainage, possibly suffer some  
12 drainage. A lot of these wells come in strong and then  
13 they drop off rather rapidly to about half of their initial  
14 potential.

15 Q. Because of the competition occurring here, it's  
16 not reasonable to postpone the drilling of this well and  
17 therefore help minimize the risk involved in this well?

18 A. That's true, I agree.

19 Q. Identify for the Examiner the other displays that  
20 are contained in the geologic section of the exhibit book.

21 A. Okay, the next map is a Tubb structure map, which  
22 reflects fairly well the Abo structure. And we believe the  
23 Tubb -- Tubb reflects basically the Drinkard and the Abo.

24 The last map is a Blinebry map, which is  
25 considerably different than the Tubb. Most noticeable is

1 the fact that the syncline separating the fields is almost  
2 absent. There's just a slight a slight syncline left at  
3 the Blinebry level. And the reason for this is that the  
4 Blinebry thickens in these lows and -- All structural lows  
5 are more or less filled in with the Blinebry deposition.

6 Q. Then the final exhibit in the exhibit book is  
7 your cross-section. I'm not going to ask you to unfold it,  
8 but it's contained in the pocket part of the exhibit book?

9 A. Yes, and the portion of it which crosses the map  
10 is shown as a red line on these maps with the well numbers  
11 indicated in red.

12 Q. At this point in the life of the development of  
13 these four reservoirs, are you able to come to a reasonable  
14 geologic conclusion about all the reservoir parameters in  
15 here so that you can manage the risk involved in drilling  
16 this well? Can you establish permeabilities, porosities,  
17 is there a uniformity to the reservoir? Those kinds of  
18 questions.

19 A. No, the reservoir really is -- Each one is rather  
20 erratic. The Abo and Drinkard seem to produce only down in  
21 Section 25 and 30, and there has been no production  
22 established from the Abo or the Drinkard in the west half  
23 of 24 or Section 23 or I believe Section 26, for the most  
24 part.

25 So, you know, there seems to be definitely a

1 distribution of porosity within those two that would be  
2 located mainly off to the south and the east of our  
3 location.

4 Q. Is the relative productivity of the wells in this  
5 area predictable?

6 A. No, not really. The -- Like the Tubb formation  
7 is very prolific down in the southwest quarter of 24 and  
8 southeast of 23, and as you go north it diminishes to  
9 become noncommercial in some locations.

10 The Blinebry mainly has been found recently in  
11 the lower structural positions. So we're not sure what  
12 happens when you come back on the structure, if the  
13 Blinebry is still going to be good, or if the Blinebry is  
14 going to be getting poorer, or the Tubb might improve. You  
15 know, it's just kind of a location to location. The  
16 reservoirs really very.

17 Q. Within Section 24, can you drill a well that will  
18 produce a certain volume of oil and then find a 40-acre  
19 offset that will do half that volume?

20 A. Yes.

21 Q. So there is an erratic nature to the level of  
22 productivity of all these formations?

23 A. Yes, in fact, the Payday lease has two wells on  
24 it, and the Number 1 Payday was a very good Tubb well and a  
25 very good recent Blinebry well; it's currently dual-

1 completed.

2           The Payday Number 2 didn't have any porosity in  
3 the Tubb. They didn't even attempt a completion in the  
4 Tubb. It was completed in the Blinebry, but it was not  
5 very good in the Blinebry. And the immediate offset to it,  
6 to the north, is a good Blinebry well.

7           And also, in the northeast corner, that dry hole,  
8 according to the log it looks rather tight in all  
9 formations. The Blinebry does not have the same porosity  
10 as the offset wells do to the west, and the Drinkard  
11 porosity is rather narrow.

12           Q. What's your ultimate conclusion, then,  
13 geologically, about the risk involved in drilling this  
14 well?

15           A. We believe that if there's a structure in there,  
16 that we have a good chance of making an Abo or Drinkard  
17 well. And if the structure is not there, then those two  
18 will more than likely wash out and be dry, and -- But there  
19 is a bail-out potential, possibly, in the Tubb, which has a  
20 high risk factor, based on the offset well's being  
21 noncommercial. And our last bailout zone, really, is the  
22 Blinebry, which we think could at least pay for the well.

23           Q. Ultimately, then, your conclusion is a 200-  
24 percent risk factor penalty is appropriate in this case?

25           A. Yes, that's true.

1 MR. KELLAHIN: That concludes my examination of  
2 Mr. Ulmo.

3 We move the introduction of his geologic displays  
4 in Exhibit 1.

5 EXAMINER CATANACH: The geologic displays will be  
6 admitted as evidence.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. Mr. Ulmo, how do you propose to -- You propose to  
10 test and produce these formations one at a time?

11 A. Yes.

12 Q. You're not going to dually complete or anything  
13 of that matter?

14 A. Well, I don't really know, you know, what they'll  
15 ultimately do. If we have two very good zones --  
16 Typically, Stevens and Tull does not dual-complete wells,  
17 but recently Collins and Ware has been starting to go back  
18 in and dual-complete some of these, and they've been making  
19 good wells out of two zones simultaneously.

20 So I would think that we probably wouldn't do  
21 that, because if we had a very good well -- You know, our  
22 choice is usually to commingle, but if we had a top-  
23 allowable well, obviously there's no chance for  
24 commingling.

25 Normally, we work from the bottom zone and just

1 work our way up.

2 Q. Okay. And that well in the northeast quarter of  
3 Section 24, that was tested in the Abo?

4 A. Yes.

5 Q. It wasn't tested in any of the other zones?

6 A. It was tested in the Abo and the Drinkard.

7 Q. Abo and the Drinkard.

8 A. And I think in both cases they acidized it and  
9 swabbed dry in the Abo, and I think in the Drinkard they  
10 just swabbed their load. They never did make any type of  
11 oil out of it. It wasn't reported anyway. And there were  
12 no tests in the Tubb or the Blinebry.

13 Q. But you -- Did you look at the log on that well?

14 A. Yes, it's on that cross-section, and it appears  
15 to be tight in the Blinebry, tighter than the other wells  
16 in there that produce in the Tubb. You can't really tell  
17 from that log what the Tubb has in it.

18 Q. Okay.

19 A. Normally out here, you know, you run mud logs,  
20 and you -- we have good shows, drilling breaks with  
21 hydrocarbon shows, and you compare that to your open-hole  
22 logs and if everything is in agreement then you perforate.

23 So there must not have been any shows to speak of  
24 in the Blinebry or the Tubb, is my conclusion.

25 EXAMINER CATANACH: I have nothing further, Mr.

1 Kellahin.

2 MR. KELLAHIN: That concludes our presentation,  
3 Mr. Examiner.

4 You'll find in the exhibit book as you go through  
5 it that behind the exhibit tab that's in red there is our  
6 certificate of notification which shows that return  
7 receipts were executed by Liberty Trust Company and Yates  
8 Petroleum Corporation.

9 EXAMINER CATANACH: All right. There being  
10 nothing further in this case, Case 11,875 will be taken  
11 under advisement.

12 (Thereupon, these proceedings were concluded at  
13 10:25 a.m.)

14 \* \* \*

15  
16  
17 I do hereby certify that the foregoing is  
18 a complete record of the proceedings in  
the Examiner hearing of Case No. 11875,  
19 heard by me on November 6, 1997.

20 David R. Catanch, Examiner  
Oil Conservation Division

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23  
24  
25

## 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 November 16th, 1997.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998