

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. 12,085

APPLICATION OF JOHN H. HENDRIX)
CORPORATION FOR COMPULSORY POOLING)
AND A HORIZONTAL WELL, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 5th, 1998

Santa Fe, New Mexico

OIL CONSERVATION DIV.
98 NOV 19 PM 2:44

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, November 5th, 1998, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

November 5th, 1998
Examiner Hearing
CASE NO. 12,085

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A P P E A R A N C E S

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 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 11:38 a.m.:

3 EXAMINER CATANACH: At this time I'll call Case
4 12,085, the Application of John H. Hendrix Corporation for
5 compulsory pooling and a horizontal well, Lea County, New
6 Mexico.

7 Call for appearances in this case.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan. We represent John H. Hendrix
11 Corporation, and I have one witness.

12 EXAMINER CATANACH: Call for additional
13 appearances.

14 Let the record reflect that an entry of
15 appearance in this case has been entered by Mr. James Bruce
16 on behalf of Ann Yeager Hansen and Dr. Henry Yeager.

17 Will the witness please stand to be sworn in?

18 (Thereupon, the witness was sworn.)

19 DAMIAN G. BARRETT,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. CARR:

24 Q. Would you state your full name for the record,
25 please?

1 A. Damian Barrett.

2 Q. Mr. Barrett, where do you reside?

3 A. Midland, Texas.

4 Q. And by whom are you employed?

5 A. Self-employed.

6 Q. What is the name of your company?

7 A. Bagash Resources.

8 Q. And how do you spell that?

9 A. B-a-q-a-s-h.

10 Q. And what is your current position with Bagash?

11 A. I'm an independent consultant.

12 Q. What is the relationship between Bagash Resources
13 and John H. Hendrix Corporation?

14 A. John H. Hendrix Corporation has hired me for the
15 purpose of this hearing.

16 Q. Have you previously testified before this
17 Division and had your credentials as an expert in petroleum
18 engineering accepted and made a matter of record?

19 A. Yes, they have been.

20 Q. Are you familiar with the Application filed in
21 this case?

22 A. Yes, I am.

23 MR. CARR: We tender Mr. Barrett as an expert in
24 petroleum engineering.

25 EXAMINER CATANACH: He is so qualified.

1 Q. (By Mr. Carr) Mr. Barrett, would you review the
2 prior efforts of John H. Hendrix Corporation for the
3 development of the east half of the northwest quarter,
4 Section 16, Township 20 South, Range 37 East?

5 A. Yes. Order Number R-11,047, dated September
6 16th, 1998 -- that was Case Number 11,993 -- the
7 application of John H. Hendrix Corporation for compulsory
8 pooling of the east half, northwest quarter of Section 16,
9 from the top of the Abo to the base of the Strawn formation
10 in the undesignated Cass-Pennsylvanian Pool, and the
11 northeast northwest quarter of Section 16 in the Abo
12 formation.

13 These pool units will be dedicated to the Conoco
14 State CC 16 Number 1 well, and it was originally completed
15 in the Monument-Tubb Pool. It will be recompleted and
16 deepened to test the Abo and Strawn formations.

17 Q. Has anything been done on the Conoco State CC
18 Well Number 1 at this time?

19 A. Nothing has been attempted yet.

20 Q. So in that prior case you pooled the Strawn
21 80-acre unit, and you pooled a 40-acre unit in the Abo?

22 A. That's correct.

23 Q. And the purpose of this case is what?

24 A. Just for the Abo.

25 Q. Okay.

1 A. And for the southern 40 acres, which is the
2 southeast of the northwest.

3 Q. You're proposing to dedicate a standard 40-acre
4 spacing and proration unit to the well?

5 A. Yes.

6 Q. There are really two options in this, are there
7 not?

8 A. That's correct.

9 Q. Why don't you review for Mr. Catanach what those
10 options are?

11 A. Okay. The one option is for a vertical well in
12 that southern 40-acre location, which is the southeast
13 quarter of the northwest quarter, and that would be for the
14 vertical well.

15 At the same surface location we would also have
16 the potential to drill horizontally to the north, to go
17 underneath the northern 40 acres, which would take up the
18 entire 80-acre proration unit.

19 Q. And what is the name of this well?

20 A. It would be the Woods State Number 5.

21 Q. And what would be the surface location?

22 A. The surface location would be 1650 feet from the
23 north line and 2310 feet from the west line of Section 16,
24 20 South, 37 East, in Lea County, New Mexico.

25 Q. If you go horizontally with the well, at about

1 what depth would you kick off and drill a horizontal well?

2 A. About 7050 feet.

3 Q. And if you do that, how many feet of horizontal
4 wellbore would you be hoping to obtain?

5 A. 1300 feet.

6 Q. Have other horizontal wells been drilled in this
7 area?

8 A. Not that I know of in the immediate area.

9 Q. Are you aware of plans of offset operators to
10 develop the Abo with horizontal wellbores?

11 A. I've talked with Marathon, and they have proposed
12 to drill a horizontal well in the northeast quarter of
13 Section 16, but I'm not sure as to exactly where that
14 stands in its progress at this point.

15 Q. If they should drill an offsetting horizontal
16 well in the Abo formation, John Hendrix Corporation would
17 like to offset that also with a horizontal well?

18 A. That's correct.

19 Q. And if Hendrix drills a horizontal well, what
20 benefits will be obtained?

21 A. Well, there's the potential to only drill one
22 well, instead of two, that would cover both 40-acre tracts,
23 and that would, in turn, bring lower costs to do just the
24 one horizontal well.

25 Q. And would your costs be lower in view of the fact

1 that you're re-entering the Conoco well in the northern 40?
2 Would they still be lower?

3 A. Yes.

4 Q. A re-entry in the new well would still be more
5 expensive than drilling a horizontal well?

6 A. That's correct.

7 Q. Who would actually benefit if you were able to
8 develop the acreage with a horizontal wellbore?

9 A. Everyone that participates will benefit, and then
10 those who remain nonconsent will benefit for the risk
11 penalty, will apply to the lower cost than the associated
12 costs of drilling two wells.

13 Q. Have you prepared AFEs for this well reflecting
14 both straighthole costs and a horizontal well cost?

15 A. Yes, I have.

16 Q. And you've provided those to the affected owners?

17 A. Yes, I have. Those are Exhibits Number 6 and 7
18 that we'll cover.

19 Q. Okay. Would the development of this acreage with
20 a horizontal wellbore affect the risk associated with
21 developing the acreage?

22 A. The risk will remain unchanged.

23 Q. Have you prepared exhibits for presentation in
24 this case?

25 A. Yes, I have.

1 Q. Let's go to what has been marked as John H.
2 Hendrix Corporation Exhibit Number 1 in the exhibit book.
3 Would you identify that for Mr. Catanach?

4 A. Yes, John H. Hendrix Corporation Exhibit Number 1
5 is a map of the outlined pools in this immediate area,
6 which includes the Monument-Abo Southeast Pool.

7 Q. And that's the pool in which this well will be
8 located?

9 A. That's correct.

10 Q. Have special pool rules been adopted for the
11 Southeast Monument-Abo Pool?

12 A. Yes, there have been, and the special rules are
13 10,000-to-1 GOR, and that's from Order Number R-10,909,
14 dated October 31st, 1997.

15 Q. All right, let's go to Exhibit Number 2.
16 Identify and review this, please.

17 A. Okay, this is a land ownership map, and it shows
18 the proposed project area that's highlighted in yellow. It
19 shows the two wells that are proposed on here, and offset
20 ownership.

21 Q. What is the status of the acreage in the east
22 half of the northwest quarter of this section?

23 A. The status of that? Oh, it's state acreage.

24 Q. And the objective with this Application is
25 limited, really, to the Abo formation --

1 A. That's correct.

2 Q. -- is that right?

3 A. That's correct.

4 Q. Let's go to John Hendrix Corporation Exhibit
5 Number 3, and I'd ask you to review the ownership under the
6 spacing unit and indicate what percentage of the ownership
7 is voluntarily committed to the well.

8 A. Okay, this is the lease ownership for the east
9 half of the northwest quarter, and to this point 50 percent
10 of the lease is committed voluntarily. The other 50
11 percent, which were the last two names on the list, Mr. and
12 Mrs. Roger Hansen and Dr. Henry Yeager, are not voluntarily
13 committed.

14 Q. So you have 50 percent involuntarily at this
15 time?

16 A. That's correct.

17 Q. When did you commence your efforts to obtain the
18 voluntary participation?

19 A. The original correspondence started with the
20 Hansens and Yeagers on January 13th of 1998, and that was
21 for the entire 80 acres at that point in time. And then we
22 went to hearing for the northern 40 acres in July, and then
23 I started another round of correspondence with them on
24 September 9th, 1998, for this other 40 acres.

25 Q. Let's go to what has been marked as Exhibit

1 Number 4. Identify this and then review your efforts to
2 obtain participation of the Yeagers and Hansens.

3 A. Okay. Again, I've got at the top of -- This is a
4 chronology of the leasing and the different correspondence
5 with the Hansens and the Yeagers. This does not include
6 the full list that is mentioned in Case 11,993. This
7 starts after that hearing. And on September 9th through
8 October 20th, the different correspondence, either phone or
9 letters, are mentioned here.

10 And I want to also make note of how on October
11 20th I actually had a -- with all the conversation with
12 them, I finally just wrote down a question that I actually
13 asked them, whether there were any circumstances under
14 which they would participate or sell, and they both said
15 no. So they are just waiting on the force-pooling for this
16 acreage.

17 Q. Is Exhibit Number 5 a copy of the correspondence
18 with the Yeagers and the Hansens?

19 A. Yes, it is, and there are several letters here,
20 with the return receipts.

21 Q. Let's go now to Exhibit Number 6. Can you
22 identify and review that, please?

23 A. Yes, Exhibit Number 6 is an AFE for a vertical
24 well with dryhole costs of \$302,375 and completed well
25 costs of \$599,700.

1 Q. And are these costs in line with what is charged
2 by other operators for similar wells in this area?

3 A. Yes, it is.

4 Q. Behind that, we have Exhibit Number 7. What is
5 this?

6 A. This is another AFE for, in the alternative, to
7 drill horizontally, with dryhole costs of \$570,465 and for
8 dryhole costs -- completed costs of \$857,000.

9 Q. What would be the cost of drilling a straight
10 hole and then also recompleting the Conoco CC State well?

11 A. Okay, in that original order the recompletion
12 costs were \$505,000, and then the vertical costs were just
13 like we've mentioned in this vertical well here of
14 \$599,000, and that total is \$1.1 million.

15 Q. And so you would save -- ?

16 A. \$248,000 would be saved by drilling just the
17 horizontal well.

18 Q. Could you generally describe for Mr. Catanach the
19 geologic setting in which the Wood State Well Number 5 is
20 to be drilled?

21 A. Yes, this is in eastern Lea County, on the
22 western flank of the Southeast Monument-Abo field, and it's
23 about two miles from the Skaggs-Abo field. It's right in
24 the Southeast Monument-Abo field. There's production from
25 all the different horizons, Eumont, Grayburg, San Andres,

1 Paddock, Blinebry, Tubb, Drinkard, Abo and Strawn. So
2 there's several different formations.

3 However, the lease that we have here just starts
4 at 7000 feet, so you take away all those other zones except
5 the Abo and the Strawn, and we're not even asking for
6 Strawn here, because it's even further offstructure and
7 more risky at this location.

8 So we really only have one location here and one
9 formation to go after, which increases the risk.

10 Q. Is John Hendrix Exhibit Number 8 a geological
11 summary of your technical presentation?

12 A. Yes, it is.

13 Q. All right, let's move to Exhibit Number 9.

14 A. Okay.

15 Q. This is your Abo structure map. Would you review
16 that?

17 A. That's right, this is a structure map drawn on
18 the Abo, and the 80 acres in question is highlighted with a
19 red crosshatch, and there are well locations that have
20 green and red dots for them. The green dots are commercial
21 producers, and the red dots are either dry or noncommercial
22 completions.

23 And you'll notice directly to the west of the 80
24 acres is a noncommercial location. To the north is a
25 noncommercial location, and then two locations away to the

1 east is noncommercial. The Woods State Number 5 location
2 will be downdip of the better Marathon well. And probably
3 one of the more important things here, structure does play
4 into this, but porosity is really the controlling factor in
5 the Abo.

6 Q. Mr. Barrett, let's go to the structural cross-
7 section which is in the back pocket of the exhibit book.
8 It's marked John Hendrix Exhibit Number 10 --

9 A. Okay.

10 Q. -- and I'd ask you to first review the index map
11 and then the logs on this exhibit.

12 A. Okay, this structure map -- or, I'm sorry, this
13 cross-section, covers four well locations, going from the
14 west to the east.

15 Again, the first well on your left-hand side is
16 the Conoco West Cass 16 State Number 1, and that recently
17 has had a completion in the Abo. They renamed the well the
18 General G State Number 3. I've got these comments right
19 down there underneath the Abo top that was picked, and
20 showed that it was perforated and acidized. The IP was 15
21 barrels of oil a day, 148 MCF a day and eight barrels of
22 water, and this is considered uneconomic. And again, this
23 is directly to the west of the 80 acres in question for the
24 Wood State lease.

25 Then to the east there's a commercial location.

1 This is one location away from the Wood State, and they did
2 make a commercial well there.

3 Then going to the far right-hand well is the
4 Hansen State Number 3. They perforated in several zones --
5 or actually, I guess, just one zone in the Abo, zero oil,
6 487 MCF a day, zero water, uneconomic. And they continued
7 on uphole testing there.

8 Also not on this cross-section is the one well to
9 the north that was tried just recently, and it was
10 uneconomic as well.

11 And one other thing to point out is, you see
12 there's several real thin porosity stringers. There's no
13 real thick zones of porosity in here, in the Abo, and
14 several places where they've perforated through there.

15 Q. Let's go now to Exhibit 11, your cumulative
16 production map. What does that show?

17 A. This again shows very much the same thing. In
18 green letters, underneath those red dots, are the IPs of
19 the two recent tests.

20 Again, 13 oil and 88 MCF for the well to the
21 north. For the well to the west, 15 barrels of oil per
22 day, 148 MCF. And then to the east two locations is zero
23 oil, 487 MCF a day.

24 And then in the red, the well directly to the
25 east, in the northern location, has made 47,000 barrels of

1 oil and 304 million cubic feet of gas. The next one south
2 of that has made 5000 barrels of oil and 180 MCF.

3 The well to the north is flowing, so that's an
4 exceptionally good well. Both of the wells to the south
5 that offset the Wood State are pumping wells and are
6 showing rapid decline.

7 Q. Are you prepared to make a recommendation to the
8 Examiner as to the risk penalty that should be assessed
9 against any nonconsenting or nonparticipating interest
10 owner?

11 A. Yes, I am.

12 Q. And what is that?

13 A. It's 200 percent.

14 Q. And upon what do you base this 200-percent
15 recommendation?

16 A. On the erratic nature of the Abo formations in
17 this area and, again, that John H. Hendrix Corporation only
18 has rights below 7000 feet, which just gives them access to
19 the one zone, just the Abo.

20 Q. And also the noneconomic offsets?

21 A. On noneconomic offsets, yes.

22 Q. If you are, in fact, carrying the 50-percent
23 interest of Yeager and Hansen, do you believe it is
24 appropriate that a 200-percent risk penalty should apply to
25 those interests?

1 A. Yes.

2 Q. Have you made an estimate of the overhead and
3 administrative costs while drilling this well and also
4 while producing it, if it is successful?

5 A. Yes, \$3500 a month for drilling and \$350 a month
6 for producing.

7 Q. How do these recommended numbers compare to the
8 figures from Ernst and Young for similar wells?

9 A. They're much less than Ernst and Young.

10 Q. Do you recommend that these figures be
11 incorporated into the order which results from today's
12 hearing?

13 A. Yes, I do.

14 Q. And does John H. Hendrix Corporation seek to be
15 designated operator of the proposed well?

16 A. Yes.

17 Q. Mr. Barrett, for a minute I'd like to address the
18 horizontal drilling portion of this case. What are the
19 current rules which govern the spacing of wells in the
20 Southeast Monument-Abo Pool?

21 A. They're statewide rules that apply, 40-acre
22 spacing units, 330-foot setbacks, and then, as mentioned
23 earlier, that 10,000-to-1 GOR.

24 Q. And the special pool rules only address a gas-oil
25 ratio; is that right?

1 A. That's correct.

2 Q. Would you identify and review John H. Hendrix
3 Exhibit Number 12?

4 A. Yes. Exhibit Number 12 is a Form C-102 that has
5 the proposed surface location of the Wood State Number 5.
6 It also has the proposed bottomhole location with a 1300-
7 foot horizontal lateral to the north, and it also has in a
8 dashed outlined area the 330-foot setbacks for the proposed
9 project area.

10 Q. Okay, and the project area would be the two 40-
11 acre tracts, being the northeast of the northwest and the
12 southeast of the northwest?

13 A. That's correct.

14 Q. And then your project area is that window within
15 those two sections indicated on the exhibit?

16 A. That's correct.

17 Q. What would be the allowable for this well if you
18 drilled a horizontal well?

19 A. If it was a horizontal well, it would be two
20 times the 40-acre allowable, which would be 374 barrels of
21 oil per day.

22 Q. Okay, and just summarize for us the reason that
23 you're making application for horizontal drilling.

24 A. Well, again, Marathon has said that they're
25 proposing a horizontal well in this northeast quarter, and

1 what we would like to do is see what kind of a well they
2 make, and then have the option to drill a horizontal well,
3 based on those results.

4 Q. And if they don't go forward with their well, is
5 it your intention to drill a straight hole?

6 A. That's correct. And again, that will reduce
7 those costs, if we can drill just that one horizontal well.

8 Q. If we look back at the cross-section, is there
9 a -- and you look at the logs on that section, do you have
10 a reasonable section in the Abo formation for a horizontal
11 well?

12 A. Yes, I believe so.

13 Q. Let's go to Exhibit Number 15 -- or let's see, it
14 would be Exhibit Number 13.

15 A. Thirteen. Exhibit Number 13 is a horizontal
16 viewpoint, a well profile for the horizontal well, supplied
17 by Baker Hughes.

18 Q. Has Baker Hughes drilled horizontal wells in the
19 Abo formation elsewhere in southeast New Mexico?

20 A. Yes, they have.

21 Q. And basically, this just shows that you would
22 kick off at a depth of about -- what? 7150?

23 A. Yeah, I think we mentioned 7050 earlier. I'm
24 sorry for the discrepancy on that.

25 Q. And then you would have a medium-angle curve and

1 then just drill horizontally, and hopefully get 1300 feet?

2 A. That's correct.

3 Q. Would this proposed horizontal well effectively
4 drain the 80 acres that you would be dedicating to it?

5 A. Yes, it would.

6 Q. You would stay a standard setback from the outer
7 boundary of the project area, would you not?

8 A. That's correct.

9 Q. And you should therefore have drainage from the
10 offsetting tract?

11 A. Yes.

12 Q. Will John H. Hendrix Corporation run a survey o
13 the well as required by OCD rules?

14 A. Yes, they will.

15 Q. Is Exhibit Number 14 an affidavit confirming that
16 notice of this hearing has been provided as required by Oil
17 Conservation Division Rules?

18 A. Yes.

19 Q. And has notice been provided to the interests
20 that are subject to pooling and the affected offsets?

21 A. Yes, it has.

22 Q. In your opinion, will the granting of this
23 Application be in the best interests of conservation, the
24 prevention of waste and the protection of correlative
25 rights?

1 A. Yes.

2 Q. How soon do you propose to spud this well?

3 A. In the very near future, and again, it's somewhat
4 dependent on Marathon's horizontal well.

5 Q. Mr. Barrett, were Exhibits 1 through 14 either
6 prepared by you or compiled under your direction?

7 A. Yes.

8 MR. CARR: Mr. Catanach, we would move the
9 admission into evidence of John H. Hendrix Corporation
10 Exhibits 1 through 14.

11 EXAMINER CATANACH: Exhibits 1 through 14 will be
12 admitted as evidence.

13 MR. CARR: And that concludes my direct
14 examination of Mr. Barrett.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Barrett, where is Marathon proposing to drill
18 their well?

19 A. Their well, if you want to look at that Exhibit
20 Number 2, from what I gathered, it will be in the east half
21 of that northeast quarter, I believe from the Number 9 well
22 location, north to the Number 3 location.

23 So it's in the east half of the northeast
24 quarter.

25 Q. From the Number 9 location to the Number 3

1 location?

2 A. That's correct.

3 Q. And that's going to be a horizontal well?

4 A. That's correct.

5 Q. You don't know if they're going to drill that at
6 this point?

7 A. I don't know the status of it. I do know when I
8 talked with Baker Hughes that he said he had even worked up
9 a proposal for them.

10 Q. And you don't know when that's going to occur?

11 A. That's correct.

12 Q. So are both of your proposals, in this case and
13 in the previous case, are those going to both wait on
14 Marathon?

15 A. There's that potential.

16 Q. And it's my understanding that if Marathon does
17 drill the horizontal well -- Are you going to wait to see
18 the results of that well before you decide what to do?

19 A. Yeah, at least as far as horizontally, you know,
20 before drilling horizontally. I know what a vertical well
21 will do, and if their horizontal well isn't any better than
22 a vertical, then that might change the decision to go
23 horizontally.

24 Q. How long is Hendrix prepared to wait on Marathon?
25 Is there kind of deadlines that you want to go by?

1 A. Well, I know they'd like to see it happen sooner
2 than not, and again, there's the 90-day clock ticking on
3 the first order. So I know that is playing into it. And
4 they, of course, would like to see it happen sooner than
5 not.

6 Q. Okay, the first order, R-11,047, it did pool the
7 east half of the northwest for a Strawn completion?

8 A. That's correct.

9 Q. And the northeast of the northwest for an Abo
10 completion?

11 A. (Nods)

12 Q. Is the Strawn well going to be abandoned at this
13 point?

14 A. Well, again, that's not totally determined at
15 this point in time.

16 I believe what will happen is, as -- You know, if
17 the horizontal well doesn't turn out for Marathon, probably
18 what will happen will -- the Conoco State CC 16 Number 1
19 well in the north location will be deepened. As it's
20 deepened, if the Abo doesn't look as good as is hoped, it
21 will be continued on down to the Strawn. And that may
22 happen anyway.

23 And that's, again, where that timing -- the clock
24 is ticking on the timing for that order, you know, to see
25 what happens or what is going to happen next.

1 Q. And at that point you would also drill the --
2 vertically, the Woods well, the Wood State Well Number 5?

3 A. At what time?

4 Q. If the Marathon well, horizontal well, isn't
5 successful?

6 A. That's correct.

7 Q. You would then drill the Wood State vertically?

8 A. That's correct.

9 Q. And if the Marathon well is successful, then you
10 propose to drill the Wood State Number 5 horizontally, only
11 to test the Abo?

12 A. That's correct.

13 Q. Within those two 40-acre proration units?

14 A. That's correct.

15 Q. Okay. The only two interest owners that you're
16 pooling within this 80-acre proration unit are the -- I'm
17 sorry, the Yeager --

18 A. Hansens and Yeagers, yes.

19 Q. Hansens and Yeagers.

20 A. That's Exhibit Number 3, and they're the
21 bottom -- the lower -- the last two names.

22 Q. Okay. Everybody else within these two 40-acre
23 tracts are signed up?

24 A. That's correct. And again, you know, on that
25 chronology, you know, they said that they were not going to

1 participate or sell to me. They were just waiting on the
2 force-pooling.

3 EXAMINER CATANACH: This case, Mr. Carr, is
4 pooling the northwest -- I'm sorry, the northeast of the
5 northwest. Even though it's already been pooled in a
6 previous case, it's being pooled again in this case?

7 MR. CARR: For the purpose of the horizontal
8 wellbore --

9 EXAMINER CATANACH: Right.

10 MR. CARR: -- case, that's the --

11 EXAMINER CATANACH: Okay.

12 MR. CARR: -- plan that we go forward with. We
13 wanted to be sure we didn't have something fall out in the
14 middle of this.

15 Q. (By Examiner Catanach) Okay. If the Wood State
16 Number 5 is drilled as a vertical well, is that a standard
17 location?

18 A. Yes, it is.

19 Q. Okay. Mr. Barrett, are you aware of any
20 opposition by the Hansens and the Yeagers with regards to
21 the risk penalty for this well?

22 A. Yes, I am.

23 Q. Okay.

24 A. And I did address all of the offsetting wells
25 that he mentioned there on my cum production map, as well

1 as he did not have listed in that letter the more recent
2 IPs on the noncommercial wells, and that was the one to the
3 north and then the other one to the west.

4 EXAMINER CATANACH: What is Case 11,853? Do you
5 know? Is it the record in the previous case, Mr. Carr?

6 MR. CARR: I don't believe it is. Is it?

7 THE WITNESS: No.

8 Q. (By Examiner Catanach) Okay. They've asked -- I
9 say "they" -- Mr. Bruce on behalf of his clients has asked
10 that we take administrative notice of the proceedings in
11 Case Number 11,853, which was apparently the case that
12 created the Southeast Monument-Abo Pool.

13 A. That's right.

14 Q. And we will take administrative notice of that
15 case. And again, they do request -- the Hansens and the
16 Yeagers request that a 100-percent risk penalty be assessed
17 against this Wood State well.

18 I believe you testified that -- Is this Abo
19 producing zone, is it one continuous zone, producing zone?

20 A. No, it has a lot of porosity stringers that are
21 fairly thin.

22 Q. So the horizontal section of the wellbore, will
23 it be drilled with any one particular stringer, or will it
24 be drilled through the different stringers?

25 A. That's why the waiting on Marathon to see,

1 because that is one of my concerns.

2 Q. And in your proposals to the Yeagers and the
3 Hansens, you've put forth both of the proposals for the
4 Wood State well?

5 A. That's correct.

6 Q. Vertical and horizontal --

7 A. That's correct.

8 Q. -- proposals?

9 A. Uh-huh.

10 Q. And you don't anticipate it then reaching -- you
11 reaching an agreement with them?

12 A. No, they've told me that that wouldn't happen.

13 Q. Okay. Why was there notice provided to Texaco
14 and Marathon in this case?

15 A. The way I would -- I think what happened was, in
16 the prior case, since we had an unorthodox location for the
17 Conoco well, offset operators needed to be notified, and
18 those were Marathon and Texaco, on whom the nonstandard
19 location was encroaching, and I believe that just carried
20 over to this.

21 EXAMINER CATANACH: Okay, I don't think I have
22 any other questions.

23 MR. CARR: I'm going to ask just a couple to be
24 sure we're all together, if I could.

25 EXAMINER CATANACH: Sure.

FURTHER EXAMINATION

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BY MR. CARR:

Q. Mr. Barrett, if Marathon successfully drills a horizontal wellbore, it's John Hendrix's intention to drill a horizontal wellbore, correct?

A. That's correct.

Q. If that occurs, does John Hendrix plan to still re-enter the Conoco CC State 16 well and attempt a completion in the Strawn?

A. That could still happen.

Q. Now, you've seen Mr. Bruce's letter in which he requests a 100-percent risk penalty, have you not?

A. I have.

Q. In that letter he discussed initial potentials for certain wells in the area?

A. That's correct.

Q. He did not discuss the production information on the two offsetting noncommercial wells; is that right?

A. That's correct.

MR. CARR: That's all I have.

EXAMINER CATANACH: Okay. I don't have anything further in this case.

I believe I will need a draft order in this case.

MR. CARR: I had a feeling.

EXAMINER CATANACH: Okay.

1 MR. CARR: We'll be happy to provide that. We'll
2 have it to you early next week.

3 EXAMINER CATANACH: Okay. All right, there being
4 nothing further in this case, Case 12,085 will be taken
5 under advisement.

6 (Thereupon, these proceedings were concluded at
7 12:13 p.m.)

8 * * *

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13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
the Examiner hearing of Case No. 12085.
15 heard by me on 11/5/ 1998.

16 David R. Catnach, Examiner
Off Conservation Division
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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 10th, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002