

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 MEWBOURNE OIL COMPANY )  
 FOR COMPULSORY POOLING, EDDY COUNTY, )  
 NEW MEXICO )

CASE NO. 12,238

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 16th, 1999

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
 99 SEP 24 AM 11:30

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 16th, 1999, 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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September 16th, 1999  
 Examiner Hearing  
 CASE NO. 12,238

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\* \* \*

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

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law  
3304 Camino Lisa  
Santa Fe, New Mexico 87501  
P.O. Box 1056  
Santa Fe, New Mexico 87504

## FOR SNOW OIL AND GAS, INC.:

CAMPBELL, CARR, BERGE and SHERIDAN P.A.  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: PAUL R. OWEN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:46 a.m.:

3           EXAMINER CATANACH: Okay, at this time we'll call  
4 Case 12,238.

5           MR. CARROLL: Application of Mewbourne Oil  
6 Company for compulsory pooling, Eddy County, New Mexico.

7           EXAMINER CATANACH: Call for appearances in this  
8 case.

9           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
10 representing the Applicant. I have two witnesses.

11           MR. OWEN: May it please the Examiner, my name is  
12 Paul Owen with the Santa Fe law firm of Campbell, Carr,  
13 Berge and Sheridan, represent Snow Oil and Gas, Inc. I  
14 have no witnesses in this matter.

15           EXAMINER CATANACH: Any additional appearances?  
16 Will the witnesses please stand to be sworn in?  
17 (Thereupon, the witnesses were sworn.)

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

21                           DIRECT EXAMINATION

22 BY MR. BRUCE:

23           Q.    Would you please state your name and city of  
24 residence?

25           A.    My name is Paul Haden. I live in Midland, Texas.

1 Q. Who do you work for and in what capacity?

2 A. I work for Mewbourne Oil Company in the capacity  
3 of a senior landman.

4 Q. Have you previously testified before the  
5 Division?

6 A. Yes, I have.

7 Q. And were your credentials as an expert petroleum  
8 landman accepted as a matter of record?

9 A. Yes, they were.

10 Q. And are you familiar with the land matters  
11 involved in this case?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I tender Mr. Haden as  
14 an expert petroleum landman.

15 EXAMINER CATANACH: Mr. Haden is so qualified.

16 Q. (By Mr. Bruce) Mr. Haden, would you identify  
17 Exhibit 1 and describe what Mewbourne seeks in this case?

18 A. Exhibit 1 is a land plat of the area. It shows  
19 our proposed spacing unit. The spacing unit is outlined --  
20 or shaded in yellow, with the proposed well location  
21 indicated in a pink dot.

22 It also shows the ownership in the area.

23 Q. You seek to space the 320-acre unit; is that  
24 correct, Mr. Haden?

25 A. Yes, we do.

1 Q. And what other units do you seek to space -- seek  
2 to pool, excuse me?

3 A. Okay, we seek to pool the northwest quarter of  
4 the southwest quarter, which is our well site. We also  
5 seek to pool the southwest quarter for 160-acre spacing.

6 Q. What is the well's location?

7 A. The well's location is 1750 from the south line  
8 and 660 feet from the west line of Section 28, in Township  
9 21 South, Range 27 East, Eddy County.

10 Q. Is this location unorthodox as to the Morrow?

11 A. Yes, sir, it is unorthodox for the Morrow.

12 Q. And was approval for -- It's in the Burton Flat-  
13 Morrow Gas Pool; is that correct?

14 A. Yes, that's absolutely correct.

15 Q. And the pool rules for that pool require wells to  
16 be 1980 from the end line of the unit?

17 A. Yes, sir.

18 Q. And Mewbourne did obtain approval of this  
19 location?

20 A. Yes, we did, by Order NSL-4329.

21 MR. BRUCE: Okay. Mr. Examiner, one thing with  
22 respect to the advertisement. The Application was correct,  
23 it did refer to the unorthodox location in the Morrow, and  
24 the advertisement stated that the location was orthodox,  
25 which it is as to pools other than the Morrow. And if it

1 needs to be readvertised, it needs to be readvertised. But  
2 all of the people being pooled did get notice of the well's  
3 location.

4 Q. (By Mr. Bruce) Mr. Haden, if you could identify  
5 Exhibit 2 and identify the leasehold ownership in the well?

6 A. Yes, sir. Exhibit 2 is a plat. It describes  
7 several tracts of land, Tracts 1 through 7.

8 Also attached to Exhibit 2 is the ownership as to  
9 each tract. First of all I'd like to go into the unit  
10 ownership, which we are primarily concerned with.

11 The ownership described, labeled Unit Ownership  
12 for the Esperanza "28" Fee Com Number 1 well, the interest  
13 which we are seeking to pool or those interests which we  
14 still did not have written agreements with are highlighted  
15 in yellow.

16 The other interest owners besides Mewbourne Oil  
17 Company have agreed to participate in the well, the  
18 companies being:

19 Texona Petroleum Corporation, they've signed an  
20 operating agreement.

21 Robert St. John has signed an operating  
22 agreement.

23 And the balance are named in the pooling.

24 Q. Now, before we move on to your efforts to obtain  
25 the voluntary joinder of these interest owners, let's go

1 down a few of these up front, maybe.

2 This Six Bits, Incorporated, you have reached a  
3 verbal agreement with that company?

4 A. Yes, we have reached a verbal agreement.  
5 However, we still are negotiating specific terms of a  
6 proposed operating agreement, which operating agreement  
7 covers shallow rights from the surface to the base of the  
8 Bone Spring in our well site, which is the northwest of the  
9 southwest quarter.

10 Q. Okay, and then as we go down -- And that Six  
11 Bits, Inc., is the company that's related to Snow Oil and  
12 Gas?

13 A. Yes, sir, Snow Oil and Gas and also Center Point  
14 Resources, Incorporated. Apparently each of these owners  
15 own one-third interest each in the interest described in  
16 the ownership, although that interest -- that ownership is  
17 still not of record yet.

18 Q. Okay. And as we get through the next exhibit,  
19 we'll go through your status with each of these. But  
20 basically, once you reach agreement with most of these  
21 there will be what, maybe 5-percent or 10-percent --

22 A. Right.

23 Q. -- interest owners, who have not voluntarily  
24 agreed?

25 A. Yes, we will probably end up pooling

1 approximately 5 percent of the unit.

2 Q. Okay. And as you come to agreements with each of  
3 these parties, before or after an order is issued, will you  
4 notify the Division in writing that the parties are no  
5 longer subject to the pooling order?

6 A. Yes, we will, just as soon as we have the written  
7 agreements executed.

8 Q. Okay. And before we move away from this exhibit,  
9 after the first two pages the interest listings are simply  
10 on a tract-by-tract basis; is that correct?

11 A. Right, right.

12 Q. Well, let's discuss your efforts to obtain the  
13 voluntary joinder of the interest owners in the well.

14 Can you identify Exhibit 3 for the Examiner?

15 A. Exhibit 3 is a copy of all of my correspondence  
16 with the various current poolees, the first of which is --

17 Q. And these are grouped by interest owner, are they  
18 not?

19 A. Yes, these are grouped by interest owners.

20 The first --

21 Q. When did you first begin mailing out proposals to  
22 interest owners on this prospect?

23 A. May 26th, 1999, I sent Altura Energy, Limited,  
24 and the various other interest owners a well proposal for  
25 our 11,900-foot Morrow test at the stated location, 1750

1 feet from the south line and 660 from the west line. I  
2 also attached an AFE to the correspondence if I requested  
3 that they participate to the extent of their interest in  
4 the spacing unit. If they did not choose to participate, I  
5 requested that they farm out their interest to Mewbourne.

6 Q. Okay. And what is the current status with  
7 Altura? They are undecided?

8 A. Altura is currently undecided. However you will  
9 note in the tract ownership, they do not own any Morrow  
10 rights whatsoever. Those rights are owned by Central  
11 Resources, Inc., and RKC, Inc.

12 Altura owns rights from the base of the Bone  
13 Spring formation to the top of the Morrow formation, so  
14 we're having quite a time of figuring out what is an  
15 equitable solution regarding Altura's participation. I've  
16 discussed all this with Jerry West. We're trying to come  
17 up with a solution.

18 The other interest owners own rights from the  
19 base of the Bone Spring formation to the base of the Morrow  
20 formation.

21 Q. Now, you say that, but certainly at the well site  
22 there are interest owners who own from the surface --

23 A. Yes.

24 Q. -- to the base of the Morrow?

25 A. Yes, sir, there are some owners who own surface

1 to the base of the Morrow.

2           Some of those owners are currently released.  
3 Those owners are Eugene Elizondo, Irma Dailey, Antonio  
4 Vargas, Mike Martinez, Trustee of the Martinez Family  
5 Trust, dated 5-3-94. And that is currently all of the  
6 unleased mineral owners, as far as we know.

7           Q. And those unleased owners, what, total about .6  
8 of a percent in the unit?

9           A. Yes.

10          Q. Okay. Now, going back to your Exhibit 3, without  
11 going in detail through every one, could you identify those  
12 parties that you have tentatively reached agreement with  
13 and hope to dismiss at some time in the near future?

14          A. Yes, besides the Six Bits, Inc., group, we  
15 currently have an agreement on the table with Central  
16 Resources, Inc. This is a farmout covering their rights in  
17 the Morrow.

18                 Devon Energy Corporation, they have executed our  
19 AFE. However, they have not executed the proposed  
20 operating agreement, but we hope to get that within the  
21 next several weeks. There simply is no one there at their  
22 office that can execute the agreement.

23                 Most likely Texas Independent Exploration, Inc.,  
24 will join in the well. They have indicated that they  
25 would. I have sent them an operating agreement for the

1 execution. Rick Zimmerman, who is actually the president  
2 of Texas Independent Exploration, also has an individual  
3 interest, of which he says he will participate in the well.

4 Texas Independent Exploration, Incorporated, is  
5 also claiming the interest of David DeMarco, doing business  
6 as Black and Gold Resources, however I've seen nothing of  
7 record to substantiate that yet.

8 Lowell Todd Armstrong has said he would join in  
9 the well. He currently has in his possession an operating  
10 agreement for execution.

11 J.C. Davis, Jr., we currently have an agreement  
12 with him on the table, however it has not been executed.

13 Jim Pierce has indicated that he wanted to be  
14 pooled.

15 And that's the --

16 Q. And those are the interest owners you hope to be  
17 able to dismiss?

18 A. Right.

19 Q. Okay. Now, you've been negotiating with these  
20 parties since May, and I notice some earlier correspondence  
21 than May. There are a couple of letters that went out.  
22 The first letter, the second grouping in Exhibit 3, to Todd  
23 Armstrong, went out more recently, July 22nd, the last  
24 letter in that batch. What is the reason for that, Mr.  
25 Haden?

1           A.    This was due to some further title examination.  
2 We had found out that he actually owned an interest, where  
3 before we had no knowledge that he owned anything.

4           Q.    And you have written to him a couple of times and  
5 been on the phone with him?

6           A.    Yes.  He says he's going to join in the well.  
7 His total cost in the well is roughly \$250.

8           Q.    Okay.  Then there's a couple more like that.  For  
9 instance, there's a -- going down to like the seventh  
10 grouping of letters, there's a letter dated September 3rd,  
11 1999, to a Joseph de Compiegne, and he is not listed on  
12 Exhibit 2.  Where does this interest come from, Mr. Haden?

13          A.    The principal with First Union National Bank  
14 Trustee of the First Texas Investment Statutory Trust had  
15 advised me that they thought that they had sold their  
16 interest to Joseph de Compiegne.

17          Q.    Of record, First Union National Bank still owns  
18 that trust?

19          A.    Right, as far as we know, First Union National  
20 Bank owns it.

21          Q.    But based on conversations with the bank, you  
22 forwarded this letter to Mr. de Compiegne?

23          A.    Yes, I did.

24          Q.    And in addition to your letters here, your  
25 correspondence includes notes of your phone conversations

1 with the various parties?

2 A. Yes, as well as copies of any follow-up letters  
3 to them.

4 Q. Okay. In your opinion, has Mewbourne made a  
5 good-faith effort since May of 1999 to obtain the voluntary  
6 joinder of the interest owners in the well?

7 A. Yes, sir, we think we have.

8 Q. Now, referring to your Exhibit 4, Mr. Haden,  
9 would you discuss the cost of the proposed well?

10 A. Exhibit 4 is an authorization for expenditure for  
11 the proposed Esperanza "28" Fee Com Number 1 well. It  
12 lists a proposed depth of 11,900 feet. It also describes a  
13 well location 1750 feet from the south line, 660 feet from  
14 the west line of Section 28 of 21 South, 27 East.

15 It also lists well costs, estimated dryhole cost  
16 of \$462,300 and an estimated total well cost of \$768,500.

17 Q. Are these costs in line with the costs of other  
18 wells drilled to this depth in this area of Eddy County?

19 A. Yes, they are.

20 Q. And does Mewbourne request that it be designated  
21 operator of this well?

22 A. Yes, we do.

23 Q. Do you have a recommendation for the amounts  
24 which Mewbourne should be paid for supervision and  
25 administrative expenses?

1           A.    We recommend an overhead rate of \$6000 per  
2 drilling well and \$600 per producing well.

3           Q.    And are these amounts equivalent to those  
4 normally charged by Mewbourne and other Morrow well  
5 operators in this area?

6           A.    Yes, that's correct.

7           Q.    Does Mewbourne request that the overhead rates be  
8 adjusted according to the COPAS accounting procedure?

9           A.    Yes, we do.

10          Q.    And were the interest owners being pooled  
11 notified of this hearing?

12          A.    Yes, they were.

13          Q.    Is Exhibit 5 my affidavit of notice?

14          A.    It so evidences.

15          Q.    Were Exhibits 1 through 5 prepared by you or  
16 under your supervision or compiled from company business  
17 records?

18          A.    Yes.

19          Q.    And in your opinion, is the granting of this  
20 Application in the interests of conservation and the  
21 prevention of waste?

22          A.    Yes.

23                MR. BRUCE:  Mr. Examiner, at this time I'd move  
24 the admission of Mewbourne Exhibits 1 through 5.

25                EXAMINER CATANACH:  Exhibits 1 through 5 will be

1 admitted as evidence.

2 Mr. Owen?

3 MR. OWEN: No questions.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Mr. Haden, with the exception of the Armstrong  
7 and the other interests in question, were all the other  
8 interest owners generally first advised of this proposal  
9 back in this same time period?

10 A. Yes.

11 Q. Back in May?

12 A. Uh-huh. Some of them have had just absolutely no  
13 communications whatsoever. In fact, they've refused our  
14 certified letters.

15 For instance, RKC, Incorporated, I'd sent two  
16 mailings out to them, one at one address in Connecticut and  
17 one in Colorado. I'd also sent them an operating agreement  
18 for their consideration. I haven't heard back from them.

19 Apparently -- Central Resources advises me that  
20 they more or less speak for RKC, Incorporated, but I have  
21 still yet to see anything from RKC, Incorporated. They  
22 have not responded at all.

23 Q. Have you been able to locate all these interest  
24 owners?

25 A. Yes. I've talked to Irma Dailey. In fact, I

1 talked to her last night. I think she's actually going to  
2 lease to us. Her brother is Antonio Vargas. He will  
3 probably do the same thing, in lieu of joining in the well.  
4 They own minerals.

5 Eugene Elizondo, for whatever reason, has refused  
6 to communicate with us.

7 Q. What's the status of the Huber Corporation?

8 A. They say they would prefer just to be pooled.  
9 This is such a small interest for them, they say it's not  
10 really worth fooling with.

11 Q. And the interest of Six Bits is -- I think you  
12 testified that that's now owned by three different parties?

13 A. Yes.

14 Q. But that's not of record?

15 A. That's not of record, this is what they advised  
16 me. Six Bits, Inc., one-third interest as to whatever  
17 interest is shown in the exhibits. Center Port Resources,  
18 Inc., one-third interest, and Snow Oil and Gas one-third  
19 interest. I think Snow Oil and Gas is probably the  
20 operating arm for the various parties there.

21 Q. So have you been in contact with these other  
22 entities?

23 A. Yes, same time. I've had a meeting with them  
24 also.

25 What happened as far as our negotiations, we had

1 agreed to enter into a joint operating agreement covering  
2 the shallow rights in the northwest and southwest quarter,  
3 being from the surface to the base of the Bone Spring  
4 formation.

5           So we submitted the agreement to them, they  
6 reviewed it and sent us some requested revisions, to us on  
7 Monday, which we have not had a chance to review those  
8 revisions. I looked over them briefly, it looked to me  
9 like they were probably acceptable.

10           And also, as a part of our trade with them, we  
11 agreed to purchase their rights, their deep rights, below  
12 the base of the Bone Spring formation, for a cash  
13 consideration wherein they would retain an overriding  
14 royalty interest. And they would retain all of their  
15 shallow rights in the offsetting acreage in the west half.  
16 They actually also had proposed a well on our tract and  
17 subsequent filed an application for compulsory pooling.

18           We have requested in our agreement with them,  
19 which they have signed, subject to the revisions that they  
20 propose, that they would dismiss their application for  
21 pooling. They proposed a Delaware test well I guess a  
22 hundred feet or so north of us.

23           Q. So it's your belief that you do have an agreement  
24 with those --

25           A. We have a verbal agreement, subject to our

1 agreeing to their revisions, which we will come to an  
2 agreement with them, probably within a week, next week.

3 Q. So these negotiations with these other parties  
4 will continue, at least for a while?

5 A. Yeah. However, we -- I'm sure that we're going  
6 to reach an agreement with all of these people, except for  
7 the ones who just refuse to do anything.

8 Redford Enterprises, for instance, they just want  
9 additional time to review the well proposal. And I have  
10 talked to their consultant last night. He requested to see  
11 our geology, and I said that's fine, we'll submit you a  
12 copy of all of our exhibits that we present at this  
13 hearing. So I think we'll be able to reach an agreement  
14 with them.

15 EXAMINER CATANACH: I have nothing further.

16 MR. OWEN: Mr. Catanach, I have a couple follow-  
17 up questions.

18 EXAMINER CATANACH: Sure.

19 EXAMINATION

20 BY MR. OWEN:

21 Q. Mr. Haden, you mentioned your discussions with  
22 Snow Oil and Gas.

23 A. Right.

24 Q. Those negotiations are going well, are they not?

25 A. Yes, they are.

1 Q. So you have not reached a final agreement, have  
2 you?

3 A. We have not, because of the submission to us of  
4 some revisions to the operating agreement. They were  
5 numerous.

6 Q. So although you expect to reach final agreement,  
7 you have not received it yet, or you have not reached it  
8 yet?

9 A. We have not reached the agreement yet, written  
10 agreement.

11 MR. OWEN: All right, thank you.

12 KEITH LOGAN,

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

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

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

18 A. Keith Logan.

19 Q. Where do you reside?

20 A. Midland, Texas.

21 Q. Who do you work for?

22 A. I work for Mewbourne Oil as an exploration  
23 geologist.

24 Q. Have you previously testified before the Division  
25 as a geologist?

1 A. Yes, I have.

2 Q. And were your credentials as an expert petroleum  
3 geologist accepted as a matter of record?

4 A. Yes, they were.

5 Q. And are you familiar with the geologic matters  
6 involved in this case?

7 A. Yes, I am.

8 MR. BRUCE: Mr. Examiner, I'd tender Mr. Logan as  
9 an expert petroleum geologist.

10 EXAMINER CATANACH: Mr. Logan is so qualified.

11 Q. (By Mr. Bruce) Mr. Logan, could you identify  
12 Exhibit 6 and discuss the primary zone of interest for the  
13 proposed well?

14 A. Exhibit 6 is a production plat of a four-section  
15 area surrounding the proposed location in Section 28. The  
16 number in red is the Morrow cumulative production in  
17 million cubic feet. The number in blue, or status, is the  
18 gas rate, MCF per day.

19 I've also outlined the proration unit, which is  
20 the west half of Section 28.

21 And also, what -- I'd like to go through, just  
22 explain some of what's going on in here. As you can see,  
23 the well in Section 28, Location K, has made almost 4 BCF,  
24 and then the well over in 29 J, which is really -- the well  
25 was drilled in 29 H and was -- never produced from the

1 Morrow, and in 1991 was kicked off and got to a bottomhole  
2 location in location J. So -- And it's made 2.2 BCF and is  
3 still making 541 MCF per day.

4 So those are our two key wells, is the one in 29  
5 J and the one in 28 K. We really got into this because the  
6 declines in the area are fairly flat, and the well in 28 K  
7 appeared to have decent bottomhole pressure remaining when  
8 it was abandoned.

9 Q. Now, the well in the Unit K of Section 28, what  
10 is the current status of that well?

11 A. It is just recently -- in fact, in July, I  
12 believe, has been recompleted to the Delaware. And all I  
13 have is the rate that was reported to the OCD of 27 barrels  
14 of oil per day and 12 MCF per day flowing intermittently.

15 Q. Before we move off this exhibit, so for your well  
16 there is the potential there's a secondary zone in the  
17 Morrow -- I mean, excuse me, the Delaware?

18 A. Correct.

19 Q. And then looking over at Section 29, did that  
20 well ever produce from any other zone?

21 A. The well in H produced back in the 1970s a small  
22 amount of gas from the Wolfcamp.

23 Q. Okay. And looking at the well in Section 33 to  
24 the southeast of your well, did that well produce from any  
25 other zone?

1           A.    That well has produced from the Strawn also, but  
2    it's a very good Morrow producer and another -- it's  
3    actually another key well that -- Like I said, there's a  
4    lot of flat declines in this area, and that's where  
5    we're...

6           Q.    But the wells you just talked about, those wells  
7    were not economic in the Wolfcamp or the Strawn?

8           A.    No.

9           Q.    Well, let's move on to your Exhibit 7, and could  
10   you identify the main zones of interest in your proposed  
11   well?

12          A.    Okay, Exhibit 7 is a cross-section going from the  
13   two key wells I discussed. The one on the right is the  
14   well in 28 K, and the one on the left is the well in 29 J.

15                Our primary zone of interest in this prospect is  
16   the -- what we, Mewbourne, calls the Middle Morrow Blue  
17   Sand, and it's pretty well identified there and produced in  
18   the well in 28 K, is currently producing from the well in  
19   29 J.

20                The well in 29 J, though, as you can see, is also  
21   perforated in the Middle Morrow Orange, Middle Morrow Pink  
22   and the Middle Morrow Green, and the Orange and Pink also  
23   produced in the well in 28 K.

24                We think from the thickness and the porosity that  
25   the primary objective would be the Middle Morrow Blue, but

1 of course we hope that there's a chance for any one of  
2 those four sands developing, because it appears that the  
3 well in 28 K -- log characteristics don't explain why the  
4 well made 4 BCF. It looks a little tight in a lot of the  
5 intervals, and hence we believe that it's an edge well with  
6 a channel going towards Section 29.

7 Q. Would you now move on to your Exhibit 8 and  
8 identify that for the Examiner?

9 A. Okay, Exhibit 8 is a structure map on the top of  
10 the lower Morrow, which is identified on the cross-section  
11 below, of course, all the middle Morrow sands. And what  
12 this is really showing is that there's a structural nose  
13 going through the east half of Section 28, extending down  
14 into Section 33. And what this is really telling me is,  
15 unless you're on that nose, that structural nose, the lower  
16 Morrow is not really a viable objective.

17 So we look at all these wells kind of down off of  
18 this structural nose. They only produce from the middle  
19 Morrow sands. So...

20 Q. So for Middle Morrow Blue purposes, the structure  
21 is unimportant?

22 A. Correct.

23 Q. Okay. Finally, let's move on to your Exhibits 9  
24 and 10 together and identify them for the Examiner and tell  
25 him what you hope to hit at your proposed location.

1           A.   Well, Exhibit 9 is a gross isopach of the Middle  
2 Morrow Blue Sand.  And as you can see, I've drawn a channel  
3 in there from the -- extending from northwest to southeast.  
4 We expect to have 20 to 25 feet of gross Middle Morrow Blue  
5 Sand at our location and, oh, five to ten feet of net sand.

6           Q.   These thicknesses would be comparable to what the  
7 well in Section 29 and the existing Morrow well or the  
8 plugged-back Morrow well in Section 28 --

9           A.   Correct.

10          Q.   -- occurred?

11                   Do you believe hitting that thickness of sand  
12 will give you a reasonable prospect of having any  
13 commercial well?

14          A.   Well, yes, just looking at the performance of the  
15 wells that have produced from this sand, the primary risk  
16 that we believe is depletion -- I mean, we're pretty close  
17 to the well in 28 K, but it also had fairly good pressure  
18 when it was abandoned.

19          Q.   In your opinion, should the maximum cost-plus-  
20 200-percent penalty be assessed any interest owner who goes  
21 nonconsent in this well?

22          A.   Yes, it should.

23          Q.   And in your opinion, is the granting of this  
24 Application in the interests of conservation and the  
25 prevention of waste?

1 A. Yes, it is.

2 Q. Were Exhibits 6 through 10 prepared by you or  
3 under your direction?

4 A. Yes, they were.

5 MR. BRUCE: Mr. Examiner, I'd move the admission  
6 of Mewbourne Exhibits 6 through 10.

7 EXAMINER CATANACH: Exhibits 6 through 10 will be  
8 admitted as evidence.

9 Mr. Owen?

10 MR. OWEN: No questions.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Logan, the well in Section 28 that's now been  
14 recompleted, did that actually deplete the Morrow?

15 A. Well, I mean, that's obviously a risk in doing  
16 what we're trying to do here. But looking at the  
17 bottomhole pressures in this area, they're a minimum of  
18 2000 pounds bottomhole pressure. Even when that one was  
19 abandoned, it had -- You can extrapolate it out, it didn't  
20 actually carry -- Pressure data didn't carry out to 3.9  
21 BCF. I think it's like 3.2 BCF. But it still had over  
22 2000 pounds bottomhole pressure, and hence, enough energy  
23 to produce more gas.

24 Q. Well, is that the reason it was abandoned,  
25 because the rate had gone low, so low, or do you know?

1           A.   Well, I don't know. I mean, I looked at the  
2 file, and I couldn't -- It could have been a mechanical  
3 reason. I mean -- OXY operated that well. And so I never  
4 found any evidence to say why that well was abandoned.

5           But if you look at the performance of the well  
6 over in 29, it started producing in 1991 at more than a  
7 million a day. It's been on a real flat decline rate, with  
8 quite a few reserves remaining to -- So we're able to  
9 justify it economically.

10          Q.   Does the bottomhole pressure in that well in  
11 Section 29 compare to the one in 28?

12          A.   Yes, it does, as does the well in 33. So it  
13 gives us more confidence that the channel runs through  
14 there. It's just -- obviously the risk, you're not very  
15 far from a well that's no longer producing in the Morrow.

16          Q.   There's not much geologic risk in terms of  
17 actually encountering that sand, in your opinion, is there?

18          A.   Well, there's a not a lot of risk for that zone.  
19 But when you're drilling an 11,900-foot well for one  
20 primary objective, I think the risk is increased.

21          Q.   What about your uphole prospects? Is there  
22 anything...

23          A.   Well, really, we're hoping for some of the other  
24 middle Morrow sands to develop, because the Green does  
25 produce in the well in 29. I'd say we might have an

1 outside chance at the Strawn, since it produced down in 33.  
 2 But looking at this area as I have, I know that that  
 3 interval comes and goes.

4 EXAMINER CATANACH: I have nothing further. This  
 5 witness may be excused.

6 Mr. Bruce, we've determined that readvertisement  
 7 is probably not necessary in this case.

8 So is there anything further, Mr. --

9 MR. OWEN: I have no witnesses, Mr. Examiner.

10 MR. BRUCE: I have nothing further, Mr. Examiner.

11 EXAMINER CATANACH: Okay, there being nothing  
 12 further in this case, Case 12,238 will be taken under  
 13 advisement.

14 (Thereupon, these proceedings were concluded at  
 15 9:25 a.m.)

16 \* \* \*

17  
 18  
 19 I do hereby certify that the foregoing is  
 20 a complete and correct transcript of the proceedings in  
 the Examiner's hearing of Case No. 1228  
 heard by me on Sept 16 1997  
 21 David P. Catnach Examiner  
 22 Off Conservation Division  
 23  
 24  
 25

