

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. 12,313

APPLICATION OF DAVID H. ARRINGTON OIL )  
AND GAS, INC., FOR COMPULSORY POOLING )  
AND DIRECTIONAL DRILLING OF A HORIZONTAL )  
WELL, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

December 16th, 1999

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
00 JAN -6 PM 9:50

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

\* \* \*

## I N D E X

December 16th, 1999  
 Examiner Hearing  
 CASE NO. 12,313

## PAGE

APPEARANCES

3

## APPLICANT'S WITNESSES:

DALE DOUGLAS (Landman)

Direct Examination by Mr. Carr

5

BILL D. BAKER, JR. (Geologist)

Direct Examination by Mr. Carr

15

Examination by Examiner Catanach

23

REPORTER'S CERTIFICATE

28

\* \* \*

## E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

7

14

Exhibit 2

9

14

Exhibit 3

11

14

Exhibit 4

12

14

Exhibit 5

16

23

Exhibit 6

16, 18

23

\* \* \*

## 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:

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   11:29 a.m.:

3           EXAMINER CATANACH: At this time we will call  
4   Case 12,313.

5           MR. CARROLL: Application of David H. Arrington  
6   Oil and Gas, Inc., for compulsory pooling and directional  
7   drilling of a horizontal well, Lea County, New Mexico.

8           EXAMINER CATANACH: Call for appearances.

9           MR. CARR: May it please the Examiner, my name is  
10   William F. Carr with the Santa Fe law firm Campbell, Carr,  
11   Berge and Sheridan. We represent David H. Arrington Oil  
12   and Gas, Inc., and I have two witnesses.

13          EXAMINER CATANACH: Swear in the witnesses, Mr.  
14   Carroll.

15          (Thereupon, the witnesses were sworn.)

16          MR. CARR: May it please the Examiner, in this  
17   case Mr. Arrington is seeking the pooling of a project area  
18   for a horizontal well.

19          To make this Application comport with the Oil and  
20   Gas Act, which authorizes pooling of spacing and proration  
21   units, we'd like to present the case today and readvertise  
22   and continue it to January the 20th, and the change will be  
23   that we will also seek the creation of a nonstandard  
24   spacing and proration unit to comprise the southwest  
25   quarter of Section 10, Township 16 South, Range 37 East.

1                   With that change all, I believe, of the  
2 requirements necessary for the application will have been  
3 met.

4                   EXAMINER CATANACH: Okay.

5                   MR. CARR: And at this time we call Dale Douglas.

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

9                   DIRECT EXAMINATION

10 BY MR. CARR:

11               Q.    Would you state your full name for the record?

12               A.    Dale Douglas.

13               Q.    And where do you reside?

14               A.    Midland, Texas.

15               Q.    By whom are you employed?

16               A.    I'm a self-employed landman.

17               Q.    And what is your relationship with Mr. Arrington?

18               A.    I perform contract land services for him.

19               Q.    Have you previously testified before this  
20 Division?

21               A.    Yes, sir.

22               Q.    At the time of that testimony, were your  
23 credentials as an expert in petroleum land matters accepted  
24 and made a matter of record?

25               A.    Yes, sir.

1 Q. Are you familiar with the Application filed in  
2 this case?

3 A. Yes, sir.

4 Q. And are you familiar with the status of the lands  
5 in the subject area?

6 A. Yes, sir.

7 MR. CARR: We tender Mr. Douglas as an expert  
8 witness in petroleum land matters.

9 EXAMINER CATANACH: Mr. Douglas is so qualified.

10 Q. (By Mr. Carr) Would you briefly summarize for  
11 the Examiner what it is that Arrington seeks in this  
12 matter?

13 A. Yes, sir, an order pooling all minerals from the  
14 surface to the base of the Strawn formation, as follows:

15 Under the northwest quarter of the southwest  
16 quarter of Section 10, Township 16 South, Range 37 East,  
17 for any and all formations developed on 40-acre spacing,

18 And under the southwest quarter for a directional  
19 well project area in the Northeast Lovington-Pennsylvanian  
20 Pool, which is comprised of two standard 80-acre spacing  
21 and proration units, being the east half of the southwest  
22 quarter and the west half of the southwest quarter, to be  
23 dedicated to our H&L Variance "10" Well Number 1.

24 Q. How is this well going to be drilled?

25 A. The well will be drilled from a surface location

1 of 2130 feet from the south line and 330 feet from the west  
2 line of Section 10. It will be drilled to a depth of  
3 approximately 12,000 feet.

4 Then it will be laterally drilled to a point  
5 where it penetrates the Strawn formation at a standard  
6 location, which is 2130 feet from the south line and not  
7 closer than 510 feet from the west line of Section 10, and  
8 that's at a standard setback.

9 Then it will be drilled in an easterly direction  
10 for 1400 feet, more or less.

11 Q. The wellbore will at all times be more than the  
12 standard 510-foot setback from the outer boundary of the  
13 project area; is that correct?

14 A. That is correct.

15 Q. Have special pool rules and regulations been  
16 adopted for this pool?

17 A. Yes, sir. Order Number R-3816, dated August the  
18 14th, 1969, it's 80-acre spacing with wells located within  
19 150 feet of the center of a quarter-quarter section.

20 Q. Mr. Douglas, let's go to what has been marked for  
21 identification as Arrington Exhibit Number 1. Will you  
22 identify that and review it for Mr. Catanach?

23 A. Yes, sir, this is a land plat showing the  
24 property and the area where the property is located in Lea  
25 County. It shows the spacing unit, and that's stippled --

1 That's the southwest quarter of this Section 10 that we've  
2 been talking about.

3 In the north half of the southwest quarter you'll  
4 see the location of the wellbore, the surface location,  
5 being in the northwest of the southwest, and it will be in  
6 an easterly direction with a bottomhole location over in  
7 the northeast of the southwest.

8 Q. What is the status of the lands in the southwest  
9 quarter of Section 10?

10 A. Arrington has acquired oil and gas leases from  
11 all of the mineral owners under this property, with the  
12 exception of one interest that we have been unable to  
13 locate.

14 Q. And this is all fee land?

15 A. All the ownership in this tract is fee ownership.

16 Q. And the primary objective in the well, is that  
17 the Strawn formation?

18 A. It is the Strawn formation, it's in the Northeast  
19 Lovington-Penn Pool.

20 Q. What percentage of the working interest is  
21 voluntarily committed to the well?

22 A. All of the working interest under lease is  
23 committed, which is approximately 94 1/2 percent.

24 The 5 1/2 percent that's not committed are  
25 unleased mineral owners that we have not been able to



1 locate.

2 Q. And are those owners indicated on Exhibit 1 as  
3 the heirs and devisees of Jessie Melvin Medlin?

4 A. That is correct.

5 Q. Have you been unable to locate these heirs?

6 A. Yes, we have.

7 Q. Let's go to Exhibit Number 2, and I'd ask you to,  
8 referring to this exhibit, review for the Examiner the  
9 efforts that have been made to locate the heirs of Jessie  
10 Melvin Medlin.

11 A. Yes, sir. Exhibit 2 is a synopsis prepared by  
12 Doyle Snow, who is an independent landman in Midland,  
13 Texas, that we had contracted back in April of 1998 to  
14 begin acquiring oil and gas leases on this property. He  
15 acquired all of the leases within a relatively short period  
16 of time, with the exception of the interest of the heirs of  
17 Melvin Jess Medlin.

18 We had asked Mr. Snow to summarize his efforts in  
19 a letter to us, which he has done, and that is the  
20 September 16th letter that's attached as Exhibit Number 2.

21 Q. And basically, what was done?

22 A. Originally, when we had talked to the various  
23 family members -- This is one basic family group that owns  
24 these minerals, and when we tried to located Mr. Medlin we  
25 were advised that he was deceased and it had gone to a

1 gentleman by the name of Robert L. Miller under his will as  
2 trustee for the benefit of Ada Leora Medlin, who was Mr.  
3 Medlin's spouse, and at her death it was to go to two of  
4 her great grandchildren.

5 We had sent letters to the last known address of  
6 Mr. Miller in Fort Worth, which was also the address listed  
7 in the probate records for that estate. Those letters were  
8 returned.

9 We had also attempted to locate phone numbers for  
10 Mr. Miller in Fort Worth and were unable to find any.

11 We were able to locate an old phone number in  
12 Fort Worth for Mr. Medlin, even though he was deceased,  
13 hoping that maybe a family member might still live at that  
14 residence. That was not the case. The folks that resided  
15 there didn't know Mr. Miller or any of the Medlins.

16 We also asked Mr. Snow to contact the neighbors  
17 around the home where Mr. Medlin used to live. None of  
18 them knew anyone. They were all new people there and had  
19 no recollection of Mr. Miller -- of Mr. Medlin, or of Mr.  
20 Miller.

21 We continue to talk to the various family members  
22 to see if they've heard from these folks, and they don't,  
23 they don't ever hear from them. They're apparently  
24 estranged.

25 We also did library checks, checking for phone

1 numbers throughout the State of Texas for Mr. Robert L.  
2 Miller and the two grandchildren that were named.

3 We mailed letters to every Robert L. Miller in  
4 the State of Texas that we could find an address for. The  
5 majority of those were returned, none of whom knew Mr.  
6 Medlin.

7 We've also performed Internet searches, trying to  
8 utilize the various phone databases, made several phone  
9 calls. No luck there. And --

10 Q. Have you reviewed the county records as well?

11 A. Yes, we've reviewed the county records as well,  
12 on anything coming in of or out of Robert L. Miller in Lea  
13 County, as well as the two grandchildren, Jamee Lee Miller  
14 and Cody Don Miller. We even actually found,  
15 coincidentally, some phone numbers on the Internet with  
16 those exact names, but they did not know Robert L. Miller  
17 or Medlin.

18 Q. In your opinion, have you made a good-faith  
19 effort to locate all individuals who own an interest in the  
20 subject spacing and proration unit and obtain their  
21 voluntary joinder in the well?

22 A. Yes, sir, we have.

23 Q. Would you identify what has been marked as David  
24 H. Arrington Exhibit Number 3?

25 A. Yes, sir, Exhibit Number 3 is the AFE which sets

1 for the anticipated costs for drilling and completing this  
2 well.

3 Q. Would you just review the totals on that AFE?

4 A. Yes, sir. And the estimated dryhole cost for  
5 this wellbore will be \$828,750. Add in the completion  
6 cost, the total completed well cost will be \$1,204,300.

7 Q. Are these costs in line with what is charged by  
8 other operators for similar wells in the area?

9 A. Yes, sir, they are.

10 Q. Let's go to Exhibit Number 4. Will you identify  
11 that, please?

12 A. Yes, sir, Exhibit Number 4 is an affidavit which  
13 sets forth the fact that certain parties were notified of  
14 this hearing.

15 Q. If you go to the second page of Exhibit 4, there  
16 are three parties identified. Robert L. Miller, that's the  
17 trustee that you've been trying to locate; is that correct?

18 A. That is correct.

19 Q. And that letter was returned?

20 A. That's correct.

21 Q. Why are Collins and Ware and Chesapeake Operating  
22 included on this list?

23 A. Collins and Ware and Chesapeake Operating are  
24 under an area of mutual interest with Arrington that covers  
25 these properties, so they would have a contingent interest

1 in any oil and gas leases that might be acquired on this  
2 interest, and so we wanted them to be on notice as well.

3 Q. Have you also talked to them about this matter?

4 A. Yes, we have.

5 Q. And if, in fact, you were able to locate Miller  
6 and acquire the Medlin interest, Collins and Ware would  
7 have an opportunity, and Chesapeake, to share in that;  
8 isn't that right?

9 A. That is correct.

10 Q. And that's why they were included?

11 A. Yes, sir.

12 Q. Have you made an estimate of the overhead and  
13 administrative costs to be incurred while drilling the well  
14 and also while producing it, if it is successful?

15 A. Yes, sir, we have. \$4500 a month for the  
16 drilling well rate and \$450 a month for the producing well  
17 rate.

18 And we arrived at these numbers from other joint  
19 operating agreements we've been in this area for similar  
20 wells, and also from a review of the Ernst and Young  
21 survey, 1998.

22 Q. The 1998 survey?

23 A. Yes, sir.

24 Q. Do you recommend that these be incorporated into  
25 the order which results from today's hearing?

1           A.    Yes, we do.

2           Q.    What will Arrington do with the share of the  
3 funds that are attributed to the Medlin interest?

4           A.    Those funds will be escrowed in Lea County, New  
5 Mexico.

6           Q.    Does Mr. Arrington seek to be designated operator  
7 of this well?

8           A.    Yes, sir, he does.

9           Q.    And will Arrington also call a geological witness  
10 to review the technical portions of the case?

11          A.    Yes, sir.

12          Q.    Were Exhibits 1 through 4 either prepared by you  
13 or compiled under your direction?

14          A.    Yes, sir, they were.

15               MR. CARR:  At this time, Mr. Catanach, we would  
16 move the admission into evidence of Arrington Exhibits 1  
17 through 4.

18               EXAMINER CATANACH:  Exhibits 1 through 4 will be  
19 admitted as evidence.

20               MR. CARR:  That concludes my examination of Mr.  
21 Douglas.

22               EXAMINER CATANACH:  We have no questions of this  
23 witness.

24               MR. CARR:  At this time, Mr. Catanach, we would  
25 call Bill Baker.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BILL D. BAKER, JR.,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Baker, will you state your name, please?

A. Bill D. Baker, Jr.

Q. Where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. David H. Arrington Oil and Gas.

Q. And what is your position with Mr. Arrington?

A. Exploration manager.

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

A. Yes, sir, I have.

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

A. Yes, sir, I am.

Q. Have you made a geological study of the area  
which is the subject of this Application?

A. Yes, sir, I have.

Q. Are you prepared to share the results of that  
work with the Examiner?

1           A.    Yes, sir.

2                   MR. CARR:  Are the witness's qualifications  
3 acceptable?

4                   EXAMINER CATANACH:  They are.

5           Q.    (By Mr. Carr)  Mr. Baker, let's go to what has  
6 been marked for identification as Arrington Exhibit Number  
7 5, and I would ask you, referring to this exhibit, to  
8 review for Mr. Catanach how Arrington Oil and Gas plans to  
9 drill the subject well.

10          A.    Okay.  Mr. Catanach, we'll be referring to  
11 Exhibits 5 and -- Exhibit 6 actually will have the project  
12 outline on it, if you would like to open it up as well when  
13 we talk about this.

14                   What David H. Arrington is proposing to do is  
15 drill a 12,000-foot project or pilot test well to the  
16 Strawn formation in the southwest quarter of Section 10.

17                   Exhibit Number 5 is our directional plan that we  
18 have, and this was provided by Baker Hughes INTEQ.  And  
19 what we're proposing to do is to drill this 12,000-foot  
20 test at a surface location of 2130 from the south line and  
21 330 from the west line.

22                   Now, we will drill down to a point of 11,100  
23 feet, and as you can see from Exhibit 5, at this particular  
24 point we kick off, or actually we start a directional.  We  
25 will drill to a depth of 11,500 feet where we enter the top



1 of the Strawn at a legal location of 2130 from the south  
2 line and 510 feet from the west line.

3 And what we're doing here is, we're building up  
4 to a 30-degree angle. This will help if we so choose to go  
5 horizontal after evaluating the Strawn. Since we already  
6 have some angle, we don't have to go quite as far.

7 We will take the well down to this particular  
8 point, we will probably drill stem test and evaluate the  
9 Strawn formation at this particular position. If it deems  
10 to be commercial and we have the porosity and the  
11 permeability and the hydrocarbons, at this particular point  
12 we would take the well horizontal and we would drill  
13 approximately 1400 feet in a due east manner, keeping the  
14 well within the producing area, which is 510 feet from the  
15 outer boundary of the project area.

16 Q. Would this well be tested at regular intervals to  
17 determine its deviation from vertical?

18 A. Yes, it would.

19 Q. Will it be tested at least once each 500 feet?

20 A. At least, yes, sir.

21 Q. Will a directional survey be run on the well upon  
22 completion.

23 A. Yes, sir, it will be.

24 Q. Will that survey be filed with the Division?

25 A. Yes, sir, it is.

1           Q.    Let's go to what has been marked as Arrington  
2   Exhibit Number 6.  This is your composite exhibit that you  
3   referenced a minute ago.

4           A.    Right.

5           Q.    I ask you to identify each of the basic parts of  
6   this exhibit and review the information for the Examiner.

7           A.    Mr. Catanach, Exhibit Number 6 is kind of a  
8   montage.  It's centered around a two-well cross-section of  
9   our proposed drill site.  But you will notice down at the  
10   bottom of it, we have a couple of insets here.  We have a  
11   structure map on the top of the Strawn "B" lime, which is  
12   the producing horizon that we're going to go after, and  
13   then also include an isopach of the Strawn "B" porosity.

14                   And what I'd like to do is go through the cross-  
15   section first.  We'll start on the right-hand side, and  
16   this is the Homestake "10" Number 1 well.  This well was  
17   drilled in 1985.  This is a Strawn producer.  I have  
18   labeled the Strawn down in kind of a light blue right  
19   there, on the right-hand side.

20                   This particular well came on at 207 barrels of  
21   oil a day.  It has cum'd approximately 100,000 barrels.  
22   It's currently producing at a rate of about 30 barrels of  
23   oil per day.

24                   As you move to the cross-section, you see where  
25   we hope to encounter the Strawn producer.  Based on the

1 subsurface well control, we hope to encounter the top of  
2 the Strawn approximately 50 feet high to the homestake  
3 well. We also hope to encounter approximately 50 to 60  
4 feet of porous Strawn hydrocarbons that is probably in the  
5 same reservoir as the Homestake well.

6 I have shown here for the most part the pilot  
7 test hole. It's indicated as a vertical, although actually  
8 this is the one that would be at a 30-degree angle here.  
9 If it does turn out that this is productive, what we will  
10 do is turn it and head it in a direction due east, head it  
11 towards the Homestake well.

12 On the far left-hand side, is the Mabee Petroleum  
13 State "AH" Number 1 well. And the importance of this  
14 particular log is that you will see that this particular  
15 well is located at a subsurface depth that is high to the  
16 Homestake well, yet it drill stem tested a little bit of  
17 oil and a whole bunch of water. This shows the risk in  
18 this particular area, that the Strawn out here is comprised  
19 of a number of separate, discrete mound systems. And you  
20 can have mounds that are high to one another, or a wet  
21 mound that is how to a lower stratigraphically producing  
22 oil mound.

23 And that is going to be part of the risk that we  
24 run in here, is possibly encountering a separate mound that  
25 would not be connected to the Homestake mound, could still

1 be structurally high and be wet.

2 The two insets down to the south, we'll go over  
3 the structure map here, and this is a structure on top of  
4 the Strawn "B", which is the producing horizon. And as you  
5 can see here, we pretty much have a structural system that  
6 is oriented in kind of a northwest-southeast orientation,  
7 dipping off to the northeast. Our proposed location is  
8 showing that we anticipate getting the top of the Strawn  
9 "B" at approximately a subsea depth of about minus 7650.

10 For this particular project right here, we feel  
11 that anything above a minus 7700 should encounter  
12 productive hydrocarbons, if it is within the same  
13 stratigraphic mound system as the Homestake well. And that  
14 is very key, is if we get in that same mound.

15 The isopach, which is located to the right of it  
16 here, this is centered around Strawn porosity greater than  
17 four percent. As you can see, once again, we're orienting  
18 these mound systems in a northwest-southeast orientation.  
19 The proposed location shows to be a northwest-southeast  
20 mound, and we hope to encounter, like I say, 60 feet of  
21 productive horizon.

22 Now, what we have done is, we have some colors  
23 here. The yellow in here, we have colored greater than 40  
24 feet of porosity. This is an internal criteria that  
25 Arrington uses for our economic -- internal economic

1 criteria. It is believed that if you're in an updip  
2 stratigraphic portion of these algal mounds you can produce  
3 down to a net porosity or a net interval of approximately  
4 five feet.

5 With that being said, and you look at this  
6 productive interval in here, we believe that about three  
7 quarters of the southwest quarter of Section 10 can be  
8 productive from the Strawn formation.

9 Q. Mr. Baker, when we look at your structure map --

10 A. Uh-huh.

11 Q. -- everything above 7700 feet you believe could  
12 contribute reserves; is that fair to say?

13 A. Yes, sir, definitely.

14 Q. And this would indicate that a substantial of the  
15 southwest of the southwest would contribute production?

16 A. Yes, sir, it should.

17 Q. If we go to a five-foot cutoff on the isopach  
18 map, that would be the basis for concluding that as much as  
19 75 percent of the southwest quarter of Section 10 can  
20 contribute reserves to this well?

21 A. Yes, sir.

22 Q. The horizontal well would be located, however, in  
23 the thickest portion of the structure so it can most  
24 effectively drain the reserves under this 160-acre tract

25 A. Yes, sir.

1           Q.    Are you prepared to make a recommendation to the  
2 Examiner concerning the penalty, the risk penalty, that  
3 should be assessed against those interests not voluntarily  
4 committed to the well?

5           A.    Yes, sir, we are.

6           Q.    And what is that?

7           A.    That's 200 percent.

8           Q.    And summarize your reasoning for the 200-percent  
9 recommendation.

10          A.    Well, the 200 percent is because even though  
11 subsurfacely it appears very straightforward, we do know  
12 that there are separate discrete mounds out here and the I  
13 could get one, such as the Mabee well, over here, being  
14 high, just like I had planned to do, and be completely wet.

15                So that adds an element of risk that I can't get  
16 around.

17          Q.    Do you believe there's a chance you could drill a  
18 well at this location that would not be a commercial  
19 success?

20          A.    Yes, sir.

21          Q.    Will the proposed horizontal well enable  
22 Arrington to efficiently and effectively drain the Strawn  
23 reserves in the project area without the drilling of  
24 unnecessary wells?

25          A.    Yes, sir, we think so.

1           Q.    In your opinion, will granting this Application  
2 otherwise be in the best interest of conservation, the  
3 prevention of waste and the protection of correlative  
4 rights?

5           A.    Yes, sir.

6           Q.    Were Exhibits 5 and 6 prepared by you, or have  
7 they been compiled under your direction?

8           A.    Yes, sir, they have.

9           MR. CARR:  At this time, Mr. Catanach, we move  
10 the admission into evidence of Arrington Exhibits 5 and 6.

11           EXAMINER CATANACH:  Exhibits 5 and 6 will be  
12 admitted as evidence.

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

15                                   EXAMINATION

16           BY EXAMINER CATANACH:

17           Q.    Mr. Baker, you don't have a lot of data to the  
18 south -- in the southern portion of that southwest quarter,  
19 you don't have a lot of data to show where those zero lines  
20 are?

21           A.    No, sir, we do not.  And that is somewhat  
22 arbitrary.  We just know it's somewhere between that Mabee  
23 well in the north half of Section 15 and the Homestake  
24 well.

25           Q.    On what basis do you make the statement that you

1 think that you can recover reserves from that mound, from  
2 anything above five feet of pay?

3 A. That probably comes from the experience that I  
4 have had in working this area for the last ten years, and I  
5 have worked this area from here clean over to west of  
6 Lovington, and we have seen commercial production come from  
7 wells down to five feet. If the porosity is good enough,  
8 you can have five feet of it that's plugged into a main  
9 reservoir and still recover commercial hydrocarbons. So  
10 that just comes from past experience.

11 Q. Just to go over the procedure again with you,  
12 okay, the surface location we have down 2130 feet from the  
13 south line, 330 feet from the west line?

14 A. Yes, sir.

15 Q. Drill down to -- Are you going to drill down to  
16 12,000 feet?

17 A. No, sir, we drill to 11,100 foot. And that is  
18 basically the top of the Penn shales, and at that  
19 particular point, Baker INTEQ is on there. And we have --  
20 By the way, we have been running gyros down to that  
21 particular point, so we know where our bottomhole is at all  
22 times. But at that particular point, they start off on  
23 this eight-degree-per-hundred build rate.

24 Q. Okay. And you then go to encounter the Strawn --

25 A. Yes, sir.



1           Q.    -- the top of the Strawn, at a location that you  
2 estimate to be 2130 feet from the south line and 510 feet  
3 from the west line?

4           A.    Yes, sir, which is the standard setback.

5           Q.    Okay, and at that point what do you do?

6           A.    Okay, at that particular point, then we know  
7 we've entered the Strawn. We'll drill through to the  
8 porosity interval, run a drill stem test or test the  
9 formation. If it tests commercial, then we'll drill the  
10 rest of the pilot hole out to a depth of 12,000 feet, which  
11 TDs in the Atoka shale. That's kind of a marker that we  
12 use here.

13                   And then what we do is, we back up and we run  
14 5-1/2-inch casing to the top of the Strawn formation, which  
15 would be at that approximate 11,500-foot interval, wherever  
16 we cross the top of the Strawn. And at that point we drill  
17 out, kick off a plug and go horizontal.

18           Q.    Okay, and approximately 1400 feet lateral?

19           A.    Yes, sir.

20           Q.    Okay. Can you, Mr. Baker, provide a summary of  
21 what you basically just told me, a summary of the procedure  
22 you're going to use in drilling the well?

23           A.    Arrington proposes to drill a pilot hole to test  
24 the Strawn --

25                   EXAMINER CATANACH: I'm sorry --

1 MR. CARR: Would you like it in writing?

2 EXAMINER CATANACH: Written.

3 THE WITNESS: Oh, in written. I thought you  
4 wanted -- Okay. Yes, sir, a written --

5 EXAMINER CATANACH: So we can have some kind of  
6 record of it?

7 THE WITNESS: Yes, sir, I'm sorry.

8 MR. CARR: I thought you were going to see if he  
9 could tell the same story twice.

10 (Laughter)

11 THE WITNESS: Okay, David does that, so...

12 MR. CARR: You mean Arrington?

13 THE WITNESS: Yeah, Arrington, that's what I  
14 mean.

15 EXAMINER CATANACH: Okay. I don't have any  
16 questions more of Mr. Baker. I do have one other question  
17 for Mr. Douglas, if I may.

18 Mr. Douglas, if you were to form a north half of  
19 the southwest quarter standard spacing unit, would the  
20 ownership be different from the southwest quarter?

21 MR. DOUGLAS: No, the ownership will be the same  
22 whether it's a north half or south half. The ownership is  
23 common under the entire southwest quarter.

24 EXAMINER CATANACH: So will it be the same --

25 MR. DOUGLAS: Right, it's all the same.

1 EXAMINER CATANACH: -- whether you form an 80 or  
2 a 160?

3 MR. DOUGLAS: That's correct.

4 EXAMINER CATANACH: I have no further questions.

5 MR. CARR: That concludes our presentation in  
6 this case.

7 EXAMINER CATANACH: So we will continue this case  
8 to the 20th, and provide --

9 MR. CARR: The 20th of January, and in the  
10 meantime we'll provide a written summary on how we propose  
11 to actually drill the well.

12 EXAMINER CATANACH: And you will provide notice  
13 to --

14 MR. CARR: I will revise the Application, and we  
15 will provide notice.

16 EXAMINER CATANACH: Okay. Thank you, Mr. Carr.

17 (Thereupon, these proceedings were concluded at  
18 11:58 a.m.)

19 \* \* \*

20  
21 I hereby certify that the foregoing is  
22 a true and correct copy of the proceedings in  
23 the Examiner's hearing of Case No. 12313,  
24 heard by me on December 16, 1995.  
25 David R. Catanch, Examiner  
Oil Conservation Division

## 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 December 22nd, 1999.



---

STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002