NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MARCH 16, 2000 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
Paul R. Owen	Campbell, Carr, Berge + Sheehan	Santa Fe
[illegible]	[illegible]	[illegible]
Martin Emery	Matador	Dallas, TX
Gary Chandler	Matador	Dallas, TX
Barry Osborne	Matador	Dallas, TX
Raye Miller	Marbob	Artesia
Martin Louie	Marbob	Artesia
Den Cunningham	Marbob	Artesia

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. 12,355
APPLICATION OF MATADOR E&P COMPANY TO ESTABLISH INFILL WELL PROCEDURES AND TO AMEND WELL LOCATION REQUIREMENTS FOR THE RED HILLS-WOLFCAMP GAS POOL OR, IN THE ALTERNATIVE, FOR SIMULTANEOUS DEDICATION, LEA COUNTY, NEW MEXICO	)	ORIGINAL

OIL CONSERVATION DIV.
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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 16th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 16th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

March 16th, 2000
Examiner Hearing
CASE NO. 12,355

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E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

KELLAHIN & KELLAHIN
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By: W. THOMAS KELLAHIN

* * *

WHEREUPON, the following proceedings were had at 8:20 a.m.:

EXAMINER CATANACH: Call the hearing to order this morning for Docket Number 08-00. We'll call the continuances and dismissals at this time.

(Off the record)

EXAMINER CATANACH: And at this time we'll call first case, 12,355, which is the Application of Matador E&P Company to establish infill well procedures and to amend well location requirements for the Red Hills-Wolfcamp Gas Pool or, in the alternative, for simultaneous dedication, Lea County, New Mexico.

Call for appearances in this case.

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

EXAMINER CATANACH: Any additional appearances?

Will the three witnesses please stand and be sworn in?

(Thereupon, the witnesses were sworn.)

MR. KELLAHIN: Mr. Examiner, Matador is before you today seeking to modify the rules for the Red Hills-Wolfcamp Gas Pool.

You'll note on Exhibit Number 1, there is a plat

that contains a number of items of information. The information I want to direct your attention to is the red outline. To the best of our knowledge, that represents the current pool boundary for the pool. This is a Wolfcamp pool that was adopted by the Commission back in June of 1966. It's Division Order R-3073. It provides for 640-acre gas spacing and for standard well location, 1650 from the outer boundary of the section.

You'll see from the evidence that the Wolfcamp Gas Pool is only a part of the Wolfcamp. We're dealing with the lower portio of the Wolfcamp. You'll see from the cross-sections what the interval is for the pool.

What we're asking permission to do is to adopt an infill program for the pool which would allow Matador and the other operators in the pool to have an optional second well. That optional second well would be located on a 160-acre tract, that does not include the original well.

In addition to providing improved flexibility for well locations, to take advantage of the optimum position geologically we would ask that you relax the footage requirements and conform them to Rule 104, principally relaxing the outer boundary requirement and making it 660 feet.

You'll see from the evidence that there are numerous unorthodox locations. In fact, the discovery well

and the second well, when the pool was adopted, were at unorthodox locations.

We have three witnesses to present. Mr. Barry Osborne is our first witness. He will describe the status of the operators, who they are, and compliance with the notice requirements of the Division.

Mr. Martin Emery, then, will testify as a geologist. He will describe for you the geology, describe for you the circumstances where we believe it's appropriate to have an infill program, for two principal reasons:

One, you're going to see from the cross-section that there is a Wolfcamp interval that has substantial gas opportunity, that is not present in wells that might be immediately adjacent to that opportunity. So you can see that there is a discontinuity in the reservoir itself.

In addition, you're going to find that there is a portion of the Wolfcamp which is correlative among wells, but in fact has substantial pressure differential between wells very close together. So you're going to see that it's necessary to have additional wells in order to recover gas that would not otherwise be produced.

Mr. Gary Chandler is our last witness, he's a petroleum engineer. He will describe the pressure information, he will go through his drainage calculations with you so you can see what has happened in this pool over

some 35 years.

And at the conclusion of the presentation, we would ask that you take this case under advisement and issue an order that approves our Application.

In the event you choose not to do that, we would ask that you afford us the opportunity in Section 5 to simultaneously dedicate two wells. We'll describe those two wells to you during the course of the testimony. That is our least preferable solution. But should you choose not to change pool rules, then we would ask that you give us the opportunity to complete an existing well into this correlative interval in the Wolfcamp so that we might have two wells producing in the section.

BARRY OSBORNE,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. My name is Barry Osborne, I am the land manager and general counsel for Matador E&P Company in Dallas, Texas.

Q. Pursuant to your employment and responsibilities on behalf of Matador, have you caused Exhibit 1 to be

prepared?

A. Yes, I have, it was prepared under my direction.

Q. As part of that preparation, have you had scribed on this exhibit what Matador believes to be the current boundary of this pool, which we've identified as the Red Hills-Wolfcamp Gas Pool?

A. Yes, I have.

Q. Describe how that pool boundary is indicated.

A. That is indicated by the red outline consisting of nine sections in Township 25 South, Range 33 East and Township 26 South, Range 33 East, in Lea County, New Mexico.

Q. There is a complexity to the map, Mr. Osborne, that I would like you to help me explain to the Examiner. First, is it possible for you to identify for us those wells that are currently producing from this lower Wolfcamp interval that is within the vertical limits of the Red Hills-Wolfcamp Gas Pool?

A. Yes, there are currently five producing wells in the pool.

There's the Red Hills 28 Federal Number 2, which is located up in Section 28, on the northwest quarter.

There is the Red Hills Unit Number 1, which was the discovery well, that's located in the southeast quarter of Section 32.

Then down in 26-33, there is the Red Hills Unit Number 2 well, which is located in the northeast quarter of Section 5.

All of those wells are operated by Matador.

Then in the northeast quarter of Section 6 of 26-33, there is a Kaiser-Francis well.

And then down in the northwest quarter of Section 7 of 26-33, there is a BTA Oil Producers well.

All of those are producing out of the pooled interval.

Q. As part of the research that you've had conducted, were you able to find any Wolfcamp wells within this correlative interval that are outside the pool but within a mile of that boundary that are not dedicated to another Wolfcamp pool?

A. No, there's not, not that we have found.

Q. Pursuant to the Division notice requirements, then, have you complied with those requirements by sending notice to the two other operators in the pool?

A. Yes, the Kaiser-Francis and the BTA Oil Producers.

Q. Have you had conversations or communications with these other two operators?

A. Yeah, we have exchanged correspondence with Kaiser-Francis, and they have voiced no objection.

BTA Oil Producers, we've had extensive discussions and they are, in fact, very much in support of our Application today.

Q. Let me focus on Section 5. Within Section 5, within that 640-acre spacing unit for the pool, does Matador currently have producing a well in this pool?

A. In Section 5 there is the Red Hills Unit Number 2 well, which is producing in the pool.

Q. In addition, there is a second wellbore that penetrates to and through the Red Hills-Wolfcamp Gas Pool and was drilled to the Devonian, was it not?

A. That's correct, originally.

Q. What are you seeking to obtain in the event the Examiner agrees to change the pool rules?

A. What we would like to do is move up and produce the Red Hills Unit Number 3 well, which is located in the southwest quarter of Section 5, in the pooled interval, and dedicate that as the second well to the 640-acre unit.

Q. Just to the north of Section 5, in Section 32, does Matador have operations in that section?

A. Yes, we do.

Q. And what is the current status of wells in the pool for that section?

A. Well, the Red Hills Unit Number 1 is still producing. We are currently in the process of completing

the Red Hills Unit Number 4 well in the Siluro-Devonian formation.

Q. The Red Hills Number 1 well is the discovery well for the pool; is that not true?

A. That's correct.

Q. And when we look just to the west of the discovery well in Section 32, the open circle that has the number 4 associated with that, that is the Red Hills Unit 4 well that is currently drilling to the Devonian?

A. That's correct. I believe we've TD'd that one when we were in the process of -- in the completion process.

Q. Within this particular area, are there any consolidations of interest ownerships by way of cooperative agreements or by unit configurations?

A. Yeah, the unit -- Well, the unit was originally a massive 28,000-acre unit when it was formed, back in 1962. It has shrunk down to, now, a relatively modest four sections, comprised of Section 32 and 33 in 25-33, and then Sections 4 and 5 in 26-33. And the wells we're talking about are the Red Hills Unit Number 4 well and Number 3 well that we're discussing within the boundaries of that unit, and there is a consolidation of ownership there.

Q. In addition to asking the Examiner to give you an optional second well in the section, are you also seeking

to have the Division relax the footage location requirements for new wells in the pool?

A. Yes, we are, we think that's appropriate.

MR. KELLAHIN: Mr. Examiner, that concludes my examination of Mr. Osborne.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Osborne, the acreage shown in yellow, that's all Matador's acreage?

A. Yes, on the -- The yellow acreage is just Matador's leasehold interests out there. We don't have a sub outline of the actual unit. We have the pool outlined, and then we have Matador's acreage, the unit, like I had mentioned earlier, Sections 32, 33, 4 and 5. That's the Red Hills Unit.

Q. Okay, Matador is the operator of the Red Hills Unit?

A. That's correct.

Q. And within those four sections, the interest is all identical or consolidated or somehow --

A. Well, it varies from well to well. There were nonconsents and partners that were brought in. However, within -- The base of ownership in the unit is consistent, although it is different on a well-to-well basis, in fact, on a zone-to-zone basis.

We spent a fortune on the title opinion on the Number 4 well, I'm telling you.

Q. So the interest within Sections 29 and Twenty- -- the one to the east --

A. Yeah, that's 28.

Q. -- is not the same as the interest in the unit; is that right?

A. That's correct.

Q. And this was originally an exploratory unit?

A. Yes, it was.

Q. Will the infill drilling program -- How will that affect the interest ownership within this unit? Some of the interest owners will have the option to go nonconsent in these wells?

A. They'll have the same rights that they do under the unit operating agreement. It will give them the opportunity to participate or to go nonconsent. And there's a relatively modest nonconsent penalty of 200 percent in the unit agreement.

Q. Do you know how many interest owners there are in the unit?

A. I should know that. There are approximately seven or eight total.

Q. Working interest?

A. Yes.

Q. And this -- What type are these? Federal leases?

A. Yes, sir. Say of the interest owners. Many of those are Bass entities, so although there may be three or four, those are all under one umbrella. The actual interest owners that are actively involved are actually only about three or four.

Q. Does the operating agreement for the unit have a provision for subsequent wells?

A. Yes, it does.

Q. It does.

A. It has a provision for subsequent wells, it has a provision for -- It's the old 1955 Rocky Mountain Mineral Law Institute form, which is a little nebulous in parts, but it does provide for subsequent wells. It provides for plugging -- abandoning zones and plugging back and moving back uphole, and it has procedures outlined, voting procedures, percentage requirements for approvals by the working interest owners.

Q. So the current plan is to recomplete the well in the southwest of Section 5, from the Devonian back up to the Wolfcamp?

A. Yes, sir. Well, from the -- The Red Hills Unit Number 3 is currently completed in the upper Wolfcamp. What we want to do is go down and complete it in the lower Wolfcamp, which is the pooled interval. The upper -- The

Wolfcamp out here is differentiated. The upper Wolfcamp isn't in the pool, the lower Wolfcamp is, and that's the zone that we'd like to go and, you know, complete it in.

Q. Let me get this straight.

A. I'm sorry.

Q. The Number 2 well is currently a Wolfcamp producer?

A. The Number 2 well is currently a Wolfcamp producer, yes, sir. The Number 1 well is currently a Wolfcamp producer.

The Number 3 well is currently a Wolfcamp producer, but it's not a Wolfcamp producer in the pooled interval. It's an upper Wolfcamp producer, it's not a lower Wolfcamp producer.

Q. In the pooled interval?

A. In the pooled interval, right.

Q. What pooled interval are you talking about?

A. Okay, the lower Wolfcamp is what's pooled out here. The upper Wolfcamp is not pooled. The Number 3 is currently completed in this upper Wolfcamp interval. The lower Wolfcamp is what we'd like to be able to move down and perforate the well in.

The geological exhibits that we have that Mr. Emery from our company is going to be putting on will, I think, pretty graphically illustrate how the Wolfcamp is

differentiated out here, and the different intervals that the wells are completed in.

Q. So you've already got two wells in Section 5 that are producing from the Wolfcamp?

A. Well, we have -- Well, yes. We don't have two wells that are producing from the lower Wolfcamp, and the upper Wolfcamp and lower Wolfcamp are not in communication. They might as well be called the Smith and the Jones interval.

Q. But the Wolfcamp formation is all in the same pool; is that correct?

MR. KELLAHIN: No, sir, it's not.

THE WITNESS: No, sir.

Q. (By Examiner Catanach) Oh, it's not?

A. No, only the lower Wolfcamp is the pooled interval.

Q. So the Red Hills-Wolfcamp Pool is limited to the --

MR. KELLAHIN: -- lower Wolfcamp.

EXAMINER CATANACH: -- lower, okay.

MR. KELLAHIN: And the Number 3 well is above the top of the Red Hills-Wolfcamp Pool, still in the Wolfcamp formation. So it's on 320 gas spacing.

Q. (By Examiner Catanach) Do you know what the other pool name is?

A. I don't believe there is a pool.

MR. KELLAHIN: We don't believe there's a name associated with that. There should be, but if so, we don't know what it is.

THE WITNESS: I think it will be fairly clear from the exhibits and the other evidence that we'll be putting on that the pressure regimes are completely different, and there isn't communication between the upper and the lower Wolfcamp.

Q. (By Examiner Catanach) Okay. You've spoken to the only two other operators in the pool, and they've got no problem with this Application?

A. Yeah, Kaiser-Francis has expressed no objection. BTA is, in fact, in support of our Application and will be paying part of Tom's bill.

MR. KELLAHIN: As small as that may be.

Q. (By Examiner Catanach) As far as the acreage, the remaining acreage in the pool, is that all currently held by either BTA or Kaiser-Francis?

A. I believe that -- Well, the two sections that those wells are in are held by BTA and Kaiser-Francis. I can't -- Which is Section 6 and Section 7. I honestly can't speak to what's holding Section 31. I know that there's one plugged well in 31, according to my map.

Q. Well, it looks like in Section 21 there's an

inactive Wolfcamp well?

A. Yes, that's correct, there's an inactive well that Enron was the -- at least on the list -- at least on the map, the list is an operator of.

I can't -- I don't know what the status of that well is. Mr. Emery can probably speak to that. I don't know if it's TA'd or -- I imagine it's just TA'd.

Q. But no notice was given to that operator?

A. No notice was given to that operator.

EXAMINER CATANACH: Okay, that's all I have. The witness may be excused.

MR. KELLAHIN: Mr. Examiner, Exhibit Number 2 is my certificate of compliance with the notice requirements for sending notice to the operators of current producing wells in the pool. It indicates on our Exhibit B that our research shows there's no Wolfcamp wells within a mile of the outer boundary of the pool.

Mr. Examiner, our next witness is Martin Emery. Mr. Emery is a geologist.

MARTIN EMERY,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Emery, for the record, sir, would you please

state your name and occupation?

A. My name is Martin Emery. I'm a geologist for Matador E&P Company in Dallas, Texas.

Q. Mr. Emery, have you made a geologic investigation of the issues that are before the Examiner today in this request by Matador to amend the pool rules for the Red Hills-Wolfcamp Gas Pool?

A. Yes, I have.

Q. Are you familiar with all the available geology for the various wells in the pool, whether they're currently plugged and abandoned, or if they're still producing those?

A. Yes.

Q. Based upon that research and review, have you reached any conclusions and recommendations concerning the matters before the Examiner this morning?

A. Yes --

MR. KELLAHIN: Before you do so, Mr. Emery, I would like to tender Mr. Emery as an expert geologist in this matter, Mr. Catanach.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Let me have you describe for the Examiner what your ultimate conclusions are, Mr. Emery.

A. Our conclusions are that due to the heterogeneity of the lower Wolfcamp reservoir and also the reservoir

characteristics, namely low permeability, that one well per 640 acres does not sufficiently drain the hydrocarbon reserves from this reservoir system.

And we have some well evidences of that, the most recent one being our Red Hills Unit Number 4, which was drilled to the Devonian, is currently completing in the Devonian, but on the way to drilling to that objective and going through the lower Wolfcamp, we encountered reservoir in the lower Wolfcamp which isn't present in the Red Hills Unit Number 1, the discovery well for the pool, which has been producing for 35 years. We found additional reservoir at virgin pressure with what we think are significant producible reserves. And that well is only 1450 feet away from the discovery well, the Red Hills Unit Number 1.

Q. In your opinion, Mr. Emery, if the Division provides for an optional second well in each of these spacing units, would that afford the opportunity to Matador and the other operators in the pool to produce Wolfcamp gas from this pool interval that might not otherwise be produced?

A. Correct.

Q. In addition, is there an opportunity to maximize your well locations if the current Division rule requirements for well locations be relaxed from 1650 to 660 to the outer boundary?

A. Yes, that would allow us to maximize the well locations to the best geologic position to encounter the most optimum lower Wolfcamp reservoir.

Q. Let's begin to look, Mr. Emery, at the data and the evidence that you have accumulated that support those conclusions. Let's start, sir, for Mr. Catanach's benefit, having you identify and describe what is marked as Exhibit Number 3.

A. Exhibit Number 3 is a gross lower Wolfcamp pay interval isopach map. The contour interval is 25 feet. And through the center of the map, coincident with the pool boundary, is a general thick of that isopached interval.

Highlighted are the wells that produce from the lower Wolfcamp, and those wells are either in or about that general isopach thick.

Q. Let's look at the cross-section that's marked as Exhibit 4. Set aside Exhibit 3 for a moment and let's first look at Exhibit 4, and identify the interval that is being mapped on your gross isopach, which was Exhibit Number 3.

A. Exhibit Number 4 is cross-section A-A'. It's a stratigraphic cross-section. The datum is the top of the lower Wolfcamp pay interval as we define it. The base is the unconformity that you see below the dark blue color fill. And those two boundaries demark the isopached

interval that is represented by Exhibit 3, the isopach map.

All right. Let's make sure we can use this display to identify for Mr. Catanach the top of the Red Hills-Wolfcamp Gas Pool. How would that be indicated on this display?

A. It's the datum, it's the bold orange line near the top of the cross-section.

Q. If we get above the orange horizontal line that has the word "datum" written, if we get above that, we are in the Wolfcamp, but it's the upper Wolfcamp, right?

A. Correct.

Q. And the upper Wolfcamp is subject to 320 gas spacing, is it not? You're outside of the vertical limits of this pool, right?

A. Correct.

Q. all right. When we look at the base of the Red Hills-Wolfcamp Gas Pool, how is that indicated on this display?

A. By the kind of wavy orange line, the unconformity, like I said, at the base of the darker blue color fill.

Q. Okay. Let's go back to Exhibit Number 3, and identify on Exhibit Number 3 where we find the two wells that are the subject of the two-well cross-section, Exhibit 4.

A. The two wells are located in Section 28 of Township 25 South, Range 33 East. They are the Red Hills 28 Fed Com 1 and 2 wells. The westernmost well, the well in the northwest of Section 28, is the Number 2. The well in the northeast quarter is Well Number 1, the 28 Number 1.

Q. All right. Let's go to Exhibit 4 now. How far apart are these two wells?

A. These two wells are 2322 feet apart.

Q. The Number 1 well was completed when?

A. The Number 1 well, originally drilled in 1985, was completed in 1985 in the lower Wolfcamp. Subsequent to that, the well has been sidetracked, deepened to the Devonian, and is currently producing from the Devonian.

Q. The Number 2 well was completed when?

A. It was completed in December of 1995.

Q. And is currently producing --

A. And is currently producing from the lower Wolfcamp.

Q. All right. Let me have you identify the evidence that supports your first conclusion, which is that generally available in the pool there is a lower portion of the lower Wolfcamp within this pool that requires more than one well per section in order to properly develop that interval. Can you show us the interval in question?

A. Yes.

Q. How do we see that?

A. Well, within the lower part of the lower Wolfcamp -- So those would be the darker blue color fills on the cross-section, especially, you can see that in this reservoir system, which consists of relatively thin carbonates within a package of shale, that there is discontinuity of the thin clean carbonate intervals.

And for example, some of the darker blue color fills present in the Red Hills 28 Fed Com Number 2 do not occur or are not present in the Number 1 well.

Q. When we look at the dark blue coloring for the Number 1 well, was this interval ever tested in this well?

A. It was -- Yes, it was. It was completed open hole across the whole lower Wolfcamp interval.

Q. So that would have afforded the opportunity to whoever completed this well to have accessed that lower Wolfcamp if it would produce hydrocarbons?

A. Correct.

Q. And what result?

A. The well produced for approximately seven years, resulting in 1.3 -- approximately 1.3 BCF of gas production and about 12,000 barrels of condensate production.

Q. Then some 10 years later the Number 2 well is drilled?

A. Correct.

Q. And what happens in this correlative lower Wolfcamp interval that we're discussing?

A. The Number 2 well was completed in the same lower Wolfcamp pay interval. Some of the interval that was completed and perforated, which is highlighted by the red in the wellbore track, is correlative to the Number 1 well, and this well had an initial flowing tubing pressure which was on the same size choke or orifice as the Number 1 well, even though the Number 1 well had seemingly been depleted.

Q. Your conclusion is, then?

A. That the Number 1 well did not, you know, pressure drain even correlative units to the Number 2 well during its producing life.

Q. Let's move up the log to the turquoise-shaded intervals, which are generally identified as this upper fan complex.

A. Correct.

Q. Make the comparison here in the Number 1 well and the Number 2 well.

A. The comparison is that in general there's more correlation between the two wells of these clean carbonates in what we've labeled the upper fan complex. But once again, seemingly they were not pressure depleted -- or severely pressure depleted by the production from the Number 1 well.

Q. Is there evidence on this display that supports that opinion?

A. Yes, in that some of those intervals were perforated. And as I stated, the initial flowing tubing pressure for the Number 2 well was almost 4000 pounds, compared to initial flowing tubing pressure of only about 3000 pounds in the Number 1 well, at the same size choke, a 12/64-inch choke.

Q. Had these correlative intervals in the upper fan complex been in communication, what would have happened to the pressure in the Number 2 well?

A. We would have expected pressure similar to the pressure at the end of the producing life of the Number 1 well.

Q. And you did not?

A. And we did not.

Q. It was higher?

A. It was higher.

Q. By how much, higher?

A. Almost 1000 p.s.i.

Q. Is there a geologic explanation for the fact that wells 2300 feet apart are not in pressure communication in this upper fan complex?

A. Yes. I think the main explanation for correlative intervals not experiencing the pressure

depletion are the permeabilities and, if you note on the Number 2 well, there's some annotation, RSWC. Those are rotary sidewall cores that were taken from some of these clean carbonates. ϕ is the porosity, k is the permeability.

All of these samples exhibited permeabilities of less than 1 millidarcy.

Q. When we go back to Exhibit Number 3, you have described a two-well example within Section 28. Is the example you've used to support your conclusions unique to Section 28?

A. No.

Q. Is there other examples in the pool that illustrate this same evidence for which you have support for your conclusions?

A. Yes.

Q. Let's turn to Exhibit Number 5 and look at another area of the pool. Is Exhibit Number 5 color-coded and prepared using the same methodology as you used to prepare Exhibit Number 4?

A. Yes, same annotation scheme.

Q. You have four wells on this cross-section for this display, right?

A. Correct.

Q. Starting from right to left, let's orient the

Examiner and have you identify each of the wells and give us a short summary.

A. Okay. This is stratigraphic cross-section B-B'. Starting from right is the Red Hills Unit Number 2 well, which is situated in the northeast quarter of Section 5 of Township 26 South, Range 33 East.

Progressing to the left is the Red Hills Unit Number 1 in the southeast of Section 32, the township to the north. This well is also the discovery well for the pool.

The next well to the left is the Red Hills Unit Number 4. It's a well we recently drilled, currently completing in the Devonian.

And finally is the Red Hills Unit Number 3 on the left side of the cross-section, which is in the southwest quarter of Section 5 of Township 26 South, Range 33 East.

Q. Okay, let's start with the one on the far left, the Red Hills Unit 3. This well is drilled through all the Wolfcamp intervals, originally was drilled to the Devonian, I believe?

A. Correct.

Q. It currently produces from what interval?

A. From the upper Wolfcamp, you can see on the very far left of the cross-section the perforated interval in the Number 3 is from 13,017 to 13,292 feet, selected perfs

within that gross interval.

Q. Those current perforations are above the top of the vertical limits for the Red Hills-Wolfcamp Gas Pool, correct?

A. Correct, they're above the bold orange line, which is also labeled "Datum".

Q. Okay. You have not tested the Wolfcamp pool interval in this well, have you?

A. No, sir.

Q. You have the modern log that you have annotated and correlated?

A. Correct.

Q. All right. Let's go to the Number 4 well. This is the well in Section 32 that is only 1458 feet west of the discovery well, correct?

A. Correct.

Q. The discovery well is the Number 1. It commenced producing when?

A. It was completed in 1964 as a dual Atoka-Lower Wolfcamp producer. It's currently producing only from the lower Wolfcamp.

Q. When we look at the total accumulated gas production from the Wolfcamp for the discovery well, what total volume do you have reported?

A. The cumulative production is 13 BCF and 436,000

barrels of condensate.

Q. Moving back to the Number 4 well, this well is the well that's being drilled now, and you're testing or trying to complete in the Devonian?

A. Correct.

Q. During the course of drilling that well, did you take advantage of the opportunity to test in any fashion the Wolfcamp interval in the Red Hills-Wolfcamp Gas Pool?

A. Yes, we did.

Q. What did you do?

A. Well, a number of things happened. While drilling the well, we experienced very strong gas shows in the lower part of the lower Wolfcamp pay. So in this darker blue interval right above the base of the pay interval, the unconformity line.

Subsequent to drilling that section of the hole, we took wireline pressure test measurements as well as rotary sidewall cores from within the lower Wolfcamp interval.

Q. Let's compare the 1 and the 4 well and go back to your first geologic conclusion, which is that in the lower Wolfcamp portion of this pool there are Wolfcamp intervals that have sufficient gas accumulation to be produced by an optional second well that were not available for production in the parent well. True?

A. True.

Q. Show us how this illustrates that.

A. This zone at the very base of the lower Wolfcamp in the Red Hills Unit Number 4 -- so the lowest, most dark-blue color fill -- is not present or is not correlative -- the correlative unit doesn't exist in the Red Hills Unit Number 1.

We experienced very strong gas shows while drilling from this interval. The RFT pressure measurements, which are valid, measured 10,574 p.s.i., which is practically virgin pressure, that the Red Hills Unit Number 1 well experienced in different intervals within the lower Wolfcamp.

And that same unit also exists in the lower part of the lower Wolfcamp in the Red Hills Unit Number 3, but not tested.

Q. Okay, go back to the discovery well, the log for the Number 1. Look above the base of the pool, which is the red squiggly line, and you see an interval that has a perforation symbol in red?

A. Correct.

Q. That lower Wolfcamp interval has been accessed and produced for what, some 35 years?

A. Correct.

Q. When we move over to the Number 4 well and look

at that correlative interval, despite the discovery well producing for some 35 years, what did you find the pressure to be in the interval in the Number 4 well?

A. Our RFT measurements in that correlative interval were all greater than 6200 p.s.i. Those pressure measurements -- We did not reach a stabilized reservoir pressure. If you look across the log track at the rotary sidewall core permeabilities, very low permeability, .027, .018 millidarcies. It would have taken an exorbitant amount of time for us to allow the pressure buildup to reservoir pressure.

But what we can state is that the minimum pressure in that reservoir, which is correlative to the Number 1 well, exceeds 6200 p.s.i.

Q. Okay. In your opinion, is it necessary to have the Number 4 well available for production in this zone, in order to recover gas that might not otherwise be produced by the discovery well?

A. Yes, it is.

Q. And this pressure differential over that 1400 feet is of sufficient magnitude to support that conclusion?

A. Yes.

Q. Let's continue up the wellbore and make the same comparison in the 1 and the 4 well when we get to the turquoise-coded intervals. What's occurred here?

A. These intervals, like with the previous cross-section, are more correlative between the two wells. And you can see in the Red Hills Unit Number 1, coded again by the red boxes, intervals that were perforated, we tested and cored some of those intervals in the Red Hills Unit Number 4, pressure-tested. And like with the lower part of the lower Wolfcamp, we witnessed pressures exceeding 6000 p.s.i. from those intervals that are correlative to intervals in the Number 1 well.

Q. Is there a geologic explanation for the pressure fact that the discovery well in this interval on average has slightly over 2100 pounds? You move 1400 feet away, and you get a pressure that's about 2 1/2 time higher.

A. I think the explanation is, the permeability of these reservoirs is quite low, and so we have witnessed some pressure drawdown, but it's very inefficient.

Q. Geologically, what is your conclusion, then, about the optimum opportunity to develop this resource in terms of the number of wells per section?

A. Well, because of the reservoir characteristics, low permeability, the lenticular nature of some of these clean carbonate beds, my conclusion is that you need at least two wells per section to capture the reserves in this lower Wolfcamp reservoir system.

Q. Let's turn to Exhibit Number 6 and have you

identify and describe Exhibit Number 6.

A. Exhibit Number 6 is also an isopach map. The contour interval is ten feet. And this is a summation -- This map represents a summation of the clean carbonates within this lower Wolfcamp interval, pay interval. So within the interval that was mapped on the previous isopach map, we are now being discrete as just counting clean carbonate beds.

You can see the values range from about zero to 70-plus feet. And like with the other map, there's a general thick depicted through the center part of the mapped area, in or about which most of the production is centered.

Q. What's the criteria that causes this to be called a net map?

A. The criteria are mainly just clean carbonate. We did not apply a porosity cutoff because typically the porosities are low.

Q. So in order to have a value for contour purposes, let's take the Number 2 well in Section 5. On Exhibit 6 it shows 65 feet?

A. Correct.

Q. That is your sum total of the net clean carbonate that you have added up from looking at the log that is shown on Exhibit 5 for that well?

A. Correct.

Q. And so --

A. Applied a gamma-ray cutoff of approximately 50 API units.

Q. And so when we look at the Number 2 well on Exhibit 5, the one on the far right, within the vertical limits of the pool what are you adding together to give you the 65 feet?

A. Basically the darker blue and turquoise-shaded intervals, the clean carbonates depicted by that shading.

Q. Once you sum those totals and provide an isopach of this fashion, then it becomes a data point by which the petroleum engineer can make some assessments using volumetric calculations of hypothetical drainage areas?

A. That is correct.

Q. Let's look at your Exhibit Number 6 and have you describe for us future opportunities in the pool that may be made more convenient if the well-location requirements are relaxed.

A. Well, certainly a well in Section 33, the most optimal location would be as far as we could get in the northwest quarter of the section, to be as proximal or near to the isopach thick as we could achieve.

Q. So would you use this isopach for this pool in the same way we would use a net-pay isopach? You would

look for the thickest point?

A. Correct.

Q. Is there a structural component to the reservoir that matters to you?

A. No, structure is very subtle, and none of these wells that are completed in the lower Wolfcamp produce appreciable water. There doesn't seem to be a water leg.

Q. So there's no water factor or component to influence your decision about locations?

A. No.

Q. Are there already a number of unorthodox well locations in the pool?

A. Yes, there are five unorthodox locations in the pool.

Q. Out of a well population of -- What was it, seven?

A. Seven completions in the lower Wolfcamp.

Q. So five of the seven are at unorthodox locations?

A. Correct.

Q. And some of them are more aggressive than 660, are they not? I believe the discovery well is closer, isn't it?

A. It's 330 from the south line, 2310 from the east line.

Q. All right, Mr. Emery, summarize for us your

conclusions, why you think it's appropriate to modify the pool rules for this pool at this time.

A. Our summary is that because of the reservoir quality within -- of the clean carbonates within the lower Wolfcamp pay interval, that being the low permeabilities we witness -- and these are all core permeabilities -- as well as the lenticular nature or heterogeneity of the clean carbonates, that one well per 640 acres does not efficiently drain the hydrocarbons from the lower Wolfcamp pooled interval.

MR. KELLAHIN: That concludes my examination of Mr. Emery. We move the introduction of his Exhibits 3 through 6.

EXAMINER CATANACH: Exhibits 3 through 6 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Emery, I was looking at Exhibit Number 4, and specifically at the Number 2 well, and there's an interval in the lower fan complex that apparently was not -- Was it not perforated? Or there's two intervals, the second and third from the bottom.

A. That is correct.

Q. Do you know why those were not produced in that lower interval?

A. To some degree, yes. We took over operations from Unocal in approximately -- or Spirit 76, approximately the end of 1997. When they drilled this well, they had some drilling difficulties, and at that particular point in the well, they set a cement plug and sidetracked.

And some annotations in the file and on some of the logs that are in the file indicated that that was across the sidetrack interval, and that was the reason that they did not perforate and try to produce that particular interval in the 28 Number 2.

Q. Doesn't have anything to do with the productive capability of that interval?

A. To my knowledge, no. There was a rotary sidewall core taken from one of those intervals, which demonstrates permeabilities that are low, but no worse than some other things that were perforated.

Q. So would you expect that interval to be productive?

A. Yes.

Q. Some of the other intervals in the -- what you're calling the upper complex, appear to be fairly thin zones that are not correlatable from well to well. Would you expect some of those zones to be productive?

A. Yes. I'll call your attention to the Red Hills Unit Number 1. There is a drill stem test that covered a

long interval but tested some of those relatively thin upper fan complex clean carbonates only, and at the end of the test it was flowing at a rate of approximately 12 million cubic feet per day. The final shut-in pressure was 10,400 p.s.i. We think that evidences some of the productive capabilities of these relatively thin, tight carbonate units.

Q. That DST was just of the upper complex?

A. Correct. The base of the DST interval is at the base of the kind of red-orange box that you see in the wellbore track at 13,499.

Q. On that same exhibit, the lowermost zone, it appears that that zone was not produced in the Red Hills Unit Number 2; is that correct?

A. That is correct.

Q. Do you know why that may not have been produced?

A. I have no knowledge as to why that was not perforated. I think you're pointing at something that was -- in the Number 2, was perforated on either side, but not perforated above and below.

Q. Do you know what the original reservoir pressure generally would have been in this interval?

A. Our best guess is the drill stem test from the Red Hills Unit Number 1. The initial pressure was 11,280 pounds, the final shut-in pressure was 10,400 p.s.i.

We witnessed in the Red Hills Unit Number 4, in its lowestmost interval, 10,574 p.s.i.

So somewhere between 10,400 and 11,000 p.s.i. is probably the original reservoir pressure.

Q. So in the Red Hills Unit Number 4, that lowermost interval, you think that that's virgin pressure?

A. Yes.

Q. So you don't feel like that zone has been produced by any other well?

A. No.

Q. Tell me what you think the potential is for drilling wells out here. Is there going to be two wells? And in which sections, do you think?

A. Depending on the completion -- Well, to begin with, we would like to recomplete the Red Hills Unit Number 3 into this reservoir system. We think that's an opportunity that we have a wellbore in already.

At some later date we would like to have the ability to produce things we already seen in the Red Hills Unit Number 4 also, either by recompleting in this well or drilling a close offset to this well to capture those reserves that we see in this well.

Section 33 is undrilled, but if successful with the first well in the northwest of Section 33 we would certainly strongly consider a second well, probably in the

southwest of Section 33.

Q. Do you know why 33 -- Was there never a well drilled in 33?

A. No, sir.

Q. Do you know why not?

A. The Red Hills Unit Number 1 and 2 wells have produced, combined, almost 32 BCF of gas, and the fear was that -- or Unocal's interpretation was that those two wells had drained a substantially large area and that a well in 33 would probably experience depletion due to that production.

Also, I think until recently, establishing the trend or orientation of the thick within this Wolfcamp has only been achieved by some of the recent well activity, especially to the north.

Q. So do you think there's any potential up in Sections 28 or 21?

A. Yes, sir. We do not currently have any leaseholds in Section 21, but it certainly seems to me that there is an opportunity in the northern half of Section 21 for a well location.

Twenty-eight, another possible well location in the southwest. And a well location in the southeast of Section 29, which is outside of the pool.

Q. Do you know of any geologic reason why the upper

and lower Wolfcamp were segregated?

A. By pressure. The lower Wolfcamp is overpressured, as you've witnessed, and the upper Wolfcamp typically has a lower pressure gradient, almost a normal pressure gradient, .45 p.s.i. per foot.

EXAMINER CATANACH: I have no further questions.

Mr. Kellahin?

MR. KELLAHIN: Mr. Examiner, our last witness is Mr. Gary Chandler. Mr. Chandler is a petroleum engineer.

GARY CHANDLER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. My name is Gary Chandler. I am a reservoir engineer for Matador E&P Corporation in Dallas, Texas.

Q. As part of your employment responsibilities for Matador, have you looked at the production and pressure information that's available from the various wells in the Red Hills-Wolfcamp Gas Pool?

A. Yes, sir, I have.

Q. And based upon your study of that information, are you able to reach engineering conclusions which support

the geologic conclusions that Mr. Emery just expressed for us?

A. Yes, sir.

MR. KELLAHIN: We tender Mr. Chandler as an expert reservoir engineer.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Let's talk generally, Mr. Chandler, about the reservoir, and one of the first topics is to ask you whether or not you took Mr. Emery's net clean carbonate isopach and attempted to do some simple volumetric calculations?

A. Yes, I did.

Q. And you've completed that work?

A. Yes.

Q. Let's look at it. Have you formatted it in the form of a display?

A. Yes, I have.

Q. And how is that display identified?

A. I believe it's --

Q. Number 7, I believe it is?

A. -- Number 7, yes.

Q. All right. For each of the sections within the pool, you have information with regards to how many wells, and you've gone through a various summary of data points?

A. Yes, sir.

Q. When we look at the far right side, if you assume a 75-percent recovery factor, then the numbers in that far right column will represent estimated areas drained by the wells in that section?

A. Correct.

Q. All right.

A. Also, it's from the GUR, not just the cum production, it's the GUR.

Q. All right. You're estimating the ultimate gas recovery for those wells?

A. Estimating -- Right, yes, sir.

Q. Let's start in Section 28. This is the two-well comparison that Mr. Emery had for us of the 28-1 and -2 well. These wells are 2300 feet apart. When you do your volumetric calculation, those two wells, using this analysis, have drained approximately how many acres?

A. Approximately 78 acres.

Q. When you look up in Section 1 that is the abandoned well that has the Enron name associated with it, in Section 21 --

A. Section 21, yes.

Q. Yeah, that's the well, the data point for that well?

A. Yes.

Q. And you calculated it was so poor it barely

recovered one acre?

A. Right.

Q. All right. So for that general area of the pool, what is your engineering conclusion about the necessity for a second optional well in a section?

A. I think it's fairly conclusive that you need a second optional well to develop the reserves.

Q. When we look at Mr. Emery's cross-sections, there is a lot of pressure data on those exhibits, is there not?

A. Yes, sir.

Q. And that's information that you're ultimately familiar with and have participated in evaluating; is that not true?

A. Yes, sir.

Q. When we look at the comparison between the wells in Section 28, the 1 and the 2 --

A. Yes.

Q. -- there, in fact, is a substantial difference with regards to the pressure between correlative zones in those two wellbores, is there not?

A. Yes, sir.

Q. That leads you to what engineering conclusion?

A. That at the abandonment of the Number 1 well its pressure had been depleted, and when the Number 2 well was drilled you came in at essentially virgin pressure, and

that 2300 feet away.

Q. That tells you what with regards to the necessity for additional wells within a section?

A. That in this case you needed at least two wells to drain the reserves.

Q. You have tabulated estimated drainage areas for nine sections, right?

A. Yes, sir.

Q. And of the nine sections, only two of those sections have had wells that would produce more than 320 acres of gas using this analysis; is that true?

A. That's correct.

Q. Let's look at those two wells. One has 580 acres associated with it. It's in Section 32. That is the discovery well, isn't it?

A. That's correct.

Q. When we look immediately to the south, the Number 2 well in Section 5 has, using this method, an acreage drained associated with it of 965 acres?

A. That's correct.

Q. So those wells are how far apart now? They're about 1480 feet apart?

A. About -- That's correct.

Q. So in combination, those two wells have enjoyed the opportunity to drain approximately 1400, 1500 acres?

A. 1500 acres, more or less, yes, sir.

Q. Yet 35 years later, Matador can come along and test the Number 4 well, which is 1458 feet away from the discovery well, and get a substantial pressure differential in these intervals that are supposed to be drained?

A. Correct.

Q. And the Number 4 well would have been within the hypothetical drainage area of the Number 1 and Number 2 well?

A. Correct.

Q. Well, how do you explain this?

A. There is perhaps a permeability barrier, a baffling, between the Number 1 well and Number 4 well.

Q. Would the fact that you can calculate 965 acres drained by the Number 2 well in Section 5, would that cause you to believe that you shouldn't also explore the opportunity for a second well in that section?

A. No. Again, this is a very simplistic volumetric calculation, assuming only a net clean carbonate. There's a possibility that more of the interval is contributing than that.

Q. Okay, let's look at that interval on Exhibit Number 5. Mr. Emery's got lots of pressure information available to us.

Describe for us, Mr. Chandler, the type of data

that you utilize as a reservoir engineer to come to your reservoir engineering conclusions about the necessity for a second well within these sections.

A. Well, the first thing I did -- or one of the things I did was, from the Red Hills Unit Number 1, in March of 1994 there was a buildup performed by Unocal at a maximum shut-in bottomhole pressure of 2158 p.s.i. after 164 hours. If you correct that to the midpoint of perfs, it gives a max shut-in bottomhole pressure of 2714.

If you do the calculations to come up with average reservoir pressure at that time, it was 2750 p.s.i. And this, again, was March of 1994. In the zones that are open in the 1 and -- or that are correlatable to the 1 and 4, that would be essentially to those 6200- to 6700-p.s.i. zones from the RFT points.

So we're over twice as high from a 1994 data point that should be lower than that by now, since the well has been producing since then.

And also, a pressure buildup analysis was done on the Red Hills Number 2 in August of 1998. At that point in time, in the Number 2, the average reservoir pressure showed 1890 p.s.i., again from the -- this is from the total zone, obviously, since it's -- you know, total perforated zone. But that would compare to the 6200 to 6700 p.s.i. from the RFTs.

Q. What does that tell you about the necessity to have an optional second well in the section?

A. That at this point, that at 1400 feet away, you're not efficiently draining it, and you need a second well in the section.

Q. Would that second well afford the opportunity to recover gas that might not otherwise be produced?

A. Yes, sir.

MR. KELLAHIN: That concludes my examination of Mr. Chandler. We move the introduction of his Exhibit Number 7.

EXAMINER CATANACH: Exhibit Number 7 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Chandler, have you an explanation why those two wells in Section 32 -- the one in Section 32 and the one in Section 5 -- drain such a large area?

A. Kind of. As Mr. Emery said, this is an overpressured zone, and it's so overpressured that it looks very close to frac gradient. It seems to me there's a possibility that in localized spots in this reservoir, you kind of fractured that whole gross interval, and instead of just the net clean carbonate contributing, you've got a fracture system that's extensive enough that allows the

whole system to contribute into these fracture systems, which may pick up another one to two percent porosity over the whole 360-foot interval. That would cut these acreages by more than half, if you look at it that way.

That's one explanation. And Martin is still working on that to -- you know, to see if that's a valid kind of assumption.

Q. Well, why would that just have an effect on those two wells?

A. My guess is that there's only spots in the reservoir that this happens, that you develop this -- as you're developing this overpressuring, that the rock breaks at certain points and doesn't at other points. Otherwise, I would expect all the wells to have been, you know, boomers.

That's -- it kind of fits -- or to my mind, it's fitting together that if you have kind of a low matrix permeability and where you're getting this extra fracturing, you can get very, very good wells. Where you get just a little bit of that fracturing you can get, you know, certainly economic wells, but you aren't going to get anything like 25-BCF wells, but certainly economic to drill.

So that's what we're hoping for.

Q. It's fairly odd that the first well that you're

hoping to recomplete, the Number 3, is in the section that's supposedly drained 965 acres.

A. Yeah.

Q. Do you anticipate that there are substantial reserves in Section 5 that remain to be recovered?

A. Yes, based on the -- I mean, the Number 4 being so close to the 1 and 2 wells, before you drilled it you wouldn't have thought you could have had, you know, one zone with basically virgin pressures and the others with, you know, still up to 6500 p.s.i. So we're certainly hopeful that there's substantial reserves yet to be recovered there.

Q. Have you done any kind of estimation on those reserves?

A. I have for the zone on the Number 4, the high pressure zone, the 10,574-p.s.i. zone. That's about 3.4 BCF.

On the 6500-p.s.i. zone from the Number 4 well it's about 3 BCF.

Q. But you haven't done any estimates for the Number 3 well?

A. I have not done any estimates for the Number 3, no.

Q. Now, the Number 4 well, it's a Devonian well?

A. Yes, sir.

Q. You just finished drilling it?

A. We've just finished drilling it. It is not completed yet in the Devonian, but it's drilled and cased at the Devonian, yes, sir.

Q. Well, do you anticipate producing the Devonian for --

A. As long as we -- Yes. Yes, sir.

Q. Before you come up and recomplete?

A. Before we come up and recomplete to the Wolfcamp, yes, sir.

Q. You're not going to attempt to dual complete or anything like that?

A. No, sir. I should say, not at this point. We're going to start off with a single in the Devonian, and depending what that looks like, there's the possibility of a dual. But most likely, we'll just wait and produce it from the -- You know, after the Devonian is completed.

EXAMINER CATANACH: I believe that's all I have of the witness, Mr. Kellahin.

FURTHER EXAMINATION

BY MR. KELLAHIN:

Q. Let me ask you for purposes of the record to estimate for us what your recollection is of the current producing rates on the discovery well. What's that current rate?

A. On the discovery well it's about 250 MCF per day.

Q. And on the Number 2 well in Section 5, it's still producing at what rate?

A. About 750 MCF per day.

EXAMINER CATANACH: In Section 5, that would be the --

MR. KELLAHIN: -- the Number 2.

THE WITNESS: -- Number 2.

EXAMINER CATANACH: I'm sorry, 7?

THE WITNESS: 750, yes, sir.

MR. KELLAHIN: Mr. Examiner, the only matter remaining is the introduction of the certificate of notification. It's Exhibit Number 2. We would ask that that exhibit be admitted at this time.

EXAMINER CATANACH: Exhibit Number 2 will be admitted as evidence.

MR. KELLAHIN: That concludes our presentation.

EXAMINER CATANACH: Okay. Mr. Kellahin, the only problem I see remaining is the operator in Section 21. I don't know who that is.

MR. KELLAHIN: I don't know the status of the well. I assume by inactive that it didn't require notice, but I'll recheck that to see what the status is of that section.

EXAMINER CATANACH: Well, apparently it's not

plugged, so if it's still out there and it is a Wolfcamp well, that operator probably should be provided notice.

MR. KELLAHIN: We'll check into it and advise you, Mr. Examiner.

EXAMINER CATANACH: So why don't we -- Let me go ahead and continue the case for two weeks, and then you can advise me as to the status of that in a couple of weeks. If you do provide notice to somebody, we may need to continue it an additional, two weeks after that.

MR. KELLAHIN: Let's see what happens to the research, and if it's still a wellbore in the Wolfcamp, we'll contact Enron and see if they have any objection to what we're doing.

EXAMINER CATANACH: Okay. There being nothing further, we'll continue the case for two weeks.

(Thereupon, these proceedings were concluded at 9:39 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 12355, heard by me on March 16, 2000.

David R. Catanach, 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 March 18th, 2000.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002