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. 12,425
APPLICATION OF MANZANO OIL CORPORATION FOR AN UNORTHODOX SUBSURFACE OIL WELL LOCATION, LEA COUNTY, NEW MEXICO	)	ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

June 1st, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, June 1st, 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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Examiner Hearing
CASE NO. 12,425

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A P P E A R A N C E S

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* * *

WHEREUPON, the following proceedings were had at 12:05 p.m.:

EXAMINER ASHLEY: The Division calls Case 12,425.

MS. HEBERT: Application of Manzano Oil Corporation for an unorthodox subsurface oil well location, Lea County, New Mexico.

EXAMINER ASHLEY: Call for appearances.

MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe, representing the Applicant. I have two witnesses to be sworn.

EXAMINER ASHLEY: Additional appearances?

Will the witnesses please rise to be sworn in?

(Thereupon, the witnesses were sworn.)

MIKE BROWN,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Will you please state your name and city of residence?

A. My name is Mike Brown, from Roswell, New Mexico.

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

A. I'm employed by Manzano Oil Corporation as their geologist.

Q. Have you previously testified before the Division

as a geologist?

A. I have.

Q. And were your credentials as an expert accepted as a matter of record?

A. They were.

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

A. Yes, I am.

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

EXAMINER ASHLEY: Mr. Brown is so qualified.

Q. (By Mr. Bruce) What does Manzano seek in this case?

A. We seek approval for an unorthodox oil well location for the Manzano Oil Corporation Cayuma Well Number 1. It's located in Lots 12 and 13 of Section 1, Township 16 South, Range 36 East, Lea County, New Mexico.

Q. This well has already been drilled, has it not?

A. Yes, it has.

Q. What is Exhibit 1?

A. Exhibit 1 is a land plat showing the -- in yellow, the 80-acre proration unit that we want to dedicate to the Cayuma Number 1. This well was completed or is completed in the Northeast Lovington-Penn Pool, which is spaced on 80-acre spacing, with wells to be within 150 feet

of the center of a quarter quarter government section.

Q. What is the history of this well?

A. Basically, this well consists of three wellbores, the first of which was drilled by Concho Resources as the Cayuma Number 1. It was drilled in April of 1999. Manzano Oil had a very small interest in this well. It was drilled from a surface location of 3580 from the south line, 990 from the west line, and that surface location was dictated by housing and other cultural concerns.

The well was kicked to an orthodox by Concho, and that bottomhole location was 3169 from the south line and 636 feet from the west line.

The well was dry and was abandoned, at which point Concho Resources decided that it no longer wanted to be involved in this proration unit and sold their interest to Manzano, et al., and that was in August of 1999.

Manzano applied for an unorthodox location to drill -- or actually to drill a vertical well from the surface location. That order was approved. It's Administrative Order NSL-4417.

Manzano then re-entered the Concho well and drilled a vertical well. That location, as we'll see in a moment, was also very tight. It was a slight improvement over the Concho well, but we deemed it uneconomic, although we had some encouragement.

At that point, Manzano was ready to go ahead and plug and abandon the well. However, we had some working interest owners and a geophysicist that believed that if we could move just 250 feet from the bottomhole location, that we would get in a better part of the mound and we might could make a commercial completion.

So we went ahead and did the kick to -- in a directional hole, and we drilled to a location of 3807 feet from the south line and 1180 feet from the west line, and we did that February 16th of this year.

The new third location, while tight, it did appear to be marginally economic, so we did recommend to complete the well, which we did.

Q. And the next witness will give more information on the well completion and well chronology, will he not?

A. Yes, he will.

Q. Let's move on to your Exhibit 2, and could you discuss the geology in this particular area, the Strawn geology?

A. Right. This exhibit is the Strawn -- middle Strawn horizons. It's an isochron map generated from our 3-D survey which Manzano, et al., shot a few years ago.

This map was submitted to the OCD when we applied, when Manzano applied, for the unorthodox location on the vertical wellbore.

On the map you see noted the Concho Cayuma Number 1 bottomhole location and then the proposed location for the vertical wellbore that we were applying for.

The Concho well, as you can kind of see, it's off the mound, and that's exactly what they found. It was just tight. We believed at the time that if we could drill the vertical location, while it wasn't the best location on the mound, we thought it would be sufficient to give us enough porosity and perm to make an economic well. As we said, we drilled it, and it was tight and uneconomic.

We then chose the best location on the 3-D, and that was a location 250 feet away to the northeast, and it had the best amplitude, it was the thickest on isochron and would be the only location, or the best location that we could drill to exploit this mound.

Q. Why don't you move on to your Exhibit 3 and discuss what you actually found in each of the three wellbores?

A. Okay. Exhibit 3 is a cross-section that basically runs in chronological order from left to right. I've hung the logs on the top of the Strawn, I've noted the base of the Strawn pay; they're in blue. And the Concho well on the left, if you'll look, I've colored in the neutron porosity that's greater than zero, and I've colored that in the orange.

Basically what this well had was neutron porosity at 2 or less percent. It was extremely tight.

Now, the density curve appears to have some porosity, but it's not real; it's caused by washout and borehole rugosity. And I've shown the density-correction curve, kind of outlined it in red, and you can see it is much greater than the 2 Division cutoff that we normally use. So the density curve is not showing us real porosity; the neutron curve is.

The drill stem test was run over the interval and basically confirmed what we see here. It was extremely tight. The final shut-in pressure only got to 1246 pounds, which is very, very tight, and no indications of oil and gas at all.

The middle well is the Manzano Oil Cayuma 1 vertical hole, and as you can see looking at the neutron porosity, there is a little bit more porosity development. As a matter of fact, we have maybe three feet of pay. The well overall is a little bit cleaner, and it does appear like we've got 10 or 15 feet more of the mound facies. But this well was drill stem tested and had .44 barrels of free oil. Pressures weren't too bad at 3995 on the pressure, but the buildups were very slow and appeared to be extremely tight.

And at this point Manzano was not willing to set

pipe, because we felt it would be a very low producing well, if it produced at all.

We moved to the directional hole, which is the well on the right, and this is, by 3-D, the thickest, most well developed part of the mound. And as you see, it's not very thick, nor is it very well developed. We have a little bit more neutron porosity and a little bit more pay. I'm calling it about six feet of total pay, as opposed to three feet on the other well.

We drill stem tested this well and had 1.19 barrels of free oil. Pressure was 4000 pounds. But once again, it indicated extremely tight reservoir conditions. However, it was -- the results of the test were just slightly better. And at this point, while we had our reservations, we did decide to attempt to complete the well.

We perforated from 11,631 to -678 and acidized with 23,000 gallons of gelled acid. Had an initial production of 90 barrels of oil per day, but as the engineering witness will show in a minute, within two weeks we're down to 45, and no sign of leveling out.

So the DSTs and the logs were telling us what we suspected; it's a very tight reservoir. And we've drilled the best part of the mound, so my interpretation is that the entire mound is just tight.

Q. In your opinion, is the unorthodox in the third well, if you will, the only reasonable opportunity to complete a producing well in the Strawn in this well unit?

A. Yes, I do.

Q. In looking -- Let's go back to your Exhibit 2 for a minute, as far as the offsetting acreage. You drilled into the best part of the mound. Would you recommend any well be drilled in the unit to the east, Lots 11 and 14?

A. No, I wouldn't. We have two wells, basically, the vertical well and the directional well that's within the best contour, supposedly, of the mound, based on amplitude. There is no pay within that -- on the east offsetting lease, and given the results of our two wells I don't think there's an economic well to be drilled over there.

Q. And even if there is a little bit of the mound over there, it's really too tight to even drill it?

A. That's correct.

Q. In hindsight, would you have drilled this well, looking at it now?

A. No, I would not.

Q. Now, finally, the offset acreage, as far as notice to interest owners, are Lots 11 and 14, are they not, Mr. Brown?

A. Yes, they are.

Q. Are Bristol Resources and Mark Chapman the only other offset working interest owners?

A. They are.

Q. And were they given notice of this hearing?

A. Yes, they were.

Q. And is my affidavit of notice submitted as Exhibit 11?

A. Yes, it is.

Q. In your opinion, is the granting of Manzano's Application in the interest of conservation and the prevention of waste?

A. Yes, it is.

Q. And were Exhibits 1 through 3 and 11 prepared by you or under your supervision or compiled from company business records?

A. They were.

MR. BRUCE: Mr. Examiner, I'd move the admission of Manzano's Exhibits 1 through 3 and 11.

EXAMINER ASHLEY: Exhibits 1 through 3 and 11 will be admitted as evidence.

EXAMINATION

BY EXAMINER ASHLEY:

Q. Mr. Brown, in Lots 11 and 14 does Manzano have an interest in those?

A. Yes, we have a controlling interest in it. I'm

not sure of the exact number, but we would be operator of the well in those tracts.

Q. And the parties that you notified, this Bristol Resources, do they have any interest in Lots 12 and 13?

A. In the current ones?

Q. Uh-huh. They're just in 11 and 14?

A. I think they're only in 11 and 14.

Q. And you received no objection from them?

A. No, we did not.

Q. On Exhibit 11, does Mark Chapman represent all of the Bristol interests? Is that --

MR. BRUCE: He is a separate interest owner, yeah.

EXAMINER ASHLEY: Okay, have you received anything, any return receipt from Bristol Resources?

MR. BRUCE: No, I haven't, Mr. Examiner, but I will check my file again. I do know that they were notified -- that the original application was applied for administratively, the vertical well, and then the subsequent directional well was applied for administratively, and Mr. Stogner set it for hearing. But Bristol was notified each of those two times, and I do have certified return receipts from them.

I went through my files last week and I -- you know, sometimes these companies don't pick them up. But I

did get two other green cards back from them, and if I find it I will submit it to you, but I don't think I ever received them back.

Q. (By Examiner Ashley) Mr. Brown, Administrative Order NSL-4417 allowed you to re-enter this well and drill vertically?

A. Yes, that's correct.

Q. But once you drilled vertically, you then chose to drill directionally to the current bottomhole location?

A. That's correct.

Q. Did you seek a directional drilling approval from the District for drilling this as a directional well?

A. That, I guess, would have to be addressed by the engineer. I did not personally --

Q. Okay.

A. -- was not involved in that. I do now that our option at that point was, if we released the rig, it would not return, we wouldn't drill the directional well. The only thing that made it even considerable, something to consider, was the rig was already there and available, and we could just quickly check 250 feet away. But if we released the rig, we would never have brought it back; it would be too expensive.

EXAMINER ASHLEY: I have nothing further, thank you.

THE WITNESS: All right.

DONNIE E. BROWN,

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

DIRECT EXAMINATION

BY MR. BRUCE:

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

A. My name is Donnie Brown, and I reside in Roswell, New Mexico.

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

A. I work for Manzano Oil Corporation as a petroleum engineer.

Q. Have you previously testified before the Division?

A. Yes, I have.

Q. And were your credentials as an expert engineer accepted as a matter of record?

A. Yes, they were.

Q. And are you familiar with the engineering and with the drilling of this well?

A. Yes, I am.

EXAMINER ASHLEY: Mr. Examiner, I'd tender Mr. Brown as an expert engineer.

EXAMINER ASHLEY: Mr. Brown is so qualified.

Q. (By Mr. Bruce) Mr. Brown, would you identify Exhibit 4 for the Examiner?

A. Yes, Exhibit 4 is the original well drilled by Concho Resources -- it's the Cayuma Number 1 -- from the surface down to their kickoff point, 9330, the surface being the zero point on the X-Y axis, and it depicts the surface location away from the well as it penetrates to 9330.

At 9330, their kickoff point, they were 56 feet north of the surface location and 31 feet west of the surface location.

The second page of this Exhibit 4 outlines what their intent was, their plan to deviate to the southwest, with the hole in, as indicated by the little X to the northwest of the zero-zero surface location. They intended to kick off and drill to the southwest, approximately 600 foot south of the surface location and a little over 400 foot west of the surface location, or some 705 feet from the surface location.

The third page of this exhibit indicates what they actually did, the surveys. They did kick off at 9330 feet, and they TD'd the hole at 11,840 feet. They were some 411 feet south of the surface location, 354 feet west of the surface location, at which time they DST'd their Strawn and decided it was a dry hole.

Q. Okay.

A. I'll go into these DSTs a little later on in the exhibit.

Q. Okay. Mr. Brown, let's move on to your Exhibit 5, and maybe your exhibits -- at this point, your Exhibits 5, 6 and 7 together, and could you give a chronology of the well and what occurred?

A. Yes. On January the 21st, 2000, we re-entered the well. On the 23rd we set a 125-sack cement plug from 9402 back up to 9178, dressed it off at -- to 9257, and at that point we kicked off of our cement plug.

If you refer to Exhibit 6, we tied in essentially at the point where Concho had kicked off. We tied in some at the tie-in point, as indicated on the first page, Exhibit 1, to the northwest of the surface hole. The surface hole is indicated by zero-zero, the little dot to the southwest of that plat.

If you'll refer to page 3 of this exhibit, we kicked off at 9257. We were in a straight hole, some 57 feet from the north of the hole and 28 foot west. We drilled to a total depth of 11,666, we DST'd the Strawn, we got a little gas and oil recovery. I'll go into the details of that later. Then we finished drilling down to 11,860 and logged.

At that point, we were some 66 feet north of the

surface location and five feet east. And if you'll look on page 3, our maximum inclination or deviation from a straight hole was never more than one degree -- or there was one point -- one degree.

Q. On this Exhibit 6, Mr. Brown, per the original administrative unorthodox location order, the well was drilled to this straight hole?

A. That's correct.

Q. And you mentioned the difference north and east of the surface location. That was just a result of the natural drift of the well?

A. That's true.

Q. Okay. Go ahead with the rest of your testimony, please.

A. At that point, we decided to set another cement plug and kick off again and drill directionally to the northeast for reasons that the geologist explained. We thought we could get into a porosity zone with a vertical hole without using directional tools and a downhole motor, but that didn't prove the case, so we thought we'd give it our best shot and go to a maximum anomaly, as indicated by 3-D.

We set a 245-sack cement plug at 10,700 feet, back to 10,376 feet. We dressed it off at 10,500 and at that point kicked off and drilled directionally to the

northeast.

We drilled to 11,677 -- I'm sorry, we drilled to 11,770 and DST'd the Strawn again. We got better results, more recovery, still indicated tight. There was a big question about whether it was still commercial or not, but they decided to run pipe, so we drilled down to 11,770 and ran our logs and ran pipe.

Exhibit 7 is the history of our directional hole, third hole, drilling towards the northeast. As you can see on page 2, we had dressed it off to 10,500. At that point we were basically straight at 1.8-degree deviation. We were some 69 foot north of the surface location and about eight foot west. We drilled to a TD of 11,770, on page 3, had an inclination of 3.6 degrees [*sic*]. At that point we were 227 feet north of the surface and 189 feet east of the surface location.

Q. Now, Mr. Brown, you mentioned these footage figures, 226 feet north and 189 feet east of the surface location. That is at total depth, correct?

A. That's correct.

Q. What -- Approximately, could you point out on this exhibit where the location is at the producing interval?

A. Let's see, the producing interval -- looking at the -- I believe you called it Exhibit 3.

Q. Yes.

A. The top perforations was 11,610. That would put us probably 205 feet north and about 164 feet east --

Q. Okay.

A. -- of the surface location.

Q. Okay.

A. Now, when we drilled the vertical hole -- this is not in my notes; I'm ad libbing here -- it was on a Sunday and I called the OCD. I can't swear to it, but I believe I did. I called the OCD and asked for Gary Wink, because he's the only guy I ever talk to when it comes to setting plugs or P-and-A'ing a well or operational problems.

I really didn't call him with the intent to ask permission to drill a directional hole, unorthodox directional hole. It was my understanding that this was an unorthodox-approved well, and I really didn't know you had to ask permission to drill an unorthodox hole in a well that was already in an orthodox.

What I called for was, we were going to set a plug at 10,700 feet, about 1000 feet above TD, and I remember telling -- asking him, did we have to set a bottomhole plug? Could we consider this our first plug, since we were on a kickoff, and drill directionally? And I was allowed to go ahead and set that plug without setting a bottomhole plug. You know, I told him we were going to

kick off directionally, but I really didn't ask permission. I was mostly concerned with setting the bottomhole plug. Since I didn't take notes, I can't document this. And according to the Commission, Gary doesn't remember the call. So that's about all I can say about that.

Q. The geologist stated that if the rig had had to move off, this wouldn't have been done. If you had had to stop drilling while getting permission, what was the cost of the rig?

A. Day work was $6000 a day. That wouldn't have been a problem if you could have had an answer that day. But rig mobilization in and out, plus rig-up and time, was about $40,000. It was $29,000 for mobilization and two days rig up and rig down, about $12,000, so that would be close to $40,000 if you had to move off and then move back, plus all the trucking for directional tools and what have you. I don't believe the working interest owners would have elected to drill a hole if they had to go through that extra expense.

Q. Let's move on to your next exhibit, Number 8, and could you briefly go over the data on that? And I think the first witness might have discussed certain of the items.

A. Yes, Number 8 is the three DSTs from the Concho well, which was to the southwest of the surface location,

the vertical hole at the surface location, and the directional well drilled to the northeast, the third hole.

As you can -- On their test, it correlates with their neutron porosity log with -- only had two percent. They had very little buildup in flow time during their initial flow periods. It was their shut-in time, over an hour and a half on their first shut in and second shut in, it was so tight they got very little buildup from their initial flow. You could not establish what we call a P*, which is the true static reservoir pressure. They didn't have enough perm to establish that.

And in their pipe recovery, they had 2407 feet of total recovery, all of which was mud or water cushion, no signs of oil, and in their sample recovery they had 2000 cc's, consisting only of drilling mud.

When we DST'd the same interval in our straight hole, we picked up about two or three feet of porosity, but it was enough to establish a true reservoir pressure of 4100, which we know is normal in the area, because we produced several Strawn wells in that area, and they're all in that 4100 range.

We did get gas to surface 30 minutes after the initial shut-in, and we got 551 feet of total pipe recovery, of which that 90 feet was free oil. And we did recover 800 cc's of 42-gravity oil in our sample. And we

got some little encouragement that this was -- we were improving as far as gaining in porosity and reservoir quality, but it was just too tight to be economical to produce. And that's where we made the point, we'd rather drill a directional hole, rather than try to complete in this hole.

And when we drilled our directional hole, we did pick three or four extra feet of porosity. We got enough porosity to establish the same reservoir characteristics as far as static reservoir pressure. We had about the same flowing pressure, which indicated it was tight, low productivity. We got about a third more pipe recovery, 871 feet of total recovery. 83 feet of that was free oil, and in the sampler we got 1150 cc's of oil as compared to 800 cc's in the straight hole.

Our analysis of the pressure buildup indicated that in our first hole we had a transmissibility of 5; in our second, directional, hole we had a transmissibility of 42. So as far as the ability to produce the wellbore, we had an improvement of eight times, but it was still a question of whether you could make a commercial well out of it.

Our model analysis indicated that if we could stimulate this hole and improve the *in situ* permeability by a factor of five, we could get a small flowing well. And

that was strictly theory, but it was enough for people to spend their money on and then go for a completion, which is what we did.

Q. Okay. Now, your next exhibit, Exhibit 9, is simply the acreage dedication plat for the well as completed?

A. That's correct. It simply shows the surface location versus the bottomhole location. I had sent the directional survey to the OCD showing the two holes, but they said they weren't used to looking at that, they would prefer one of these. So as an afterthought, this is what I sent to the OCD in Hobbs.

Q. Okay. Finally, could you identify Exhibit 10 and discuss for the Examiner production from the well?

A. Yes, but continuing with my discussion, we did run pipe, and we perforated 11,631 to -677. That was an interval of 46 feet. We had a total of 14 foot of that actually perforated.

We initially acidized with 3000 gallons at 3 1/2 barrels a minute at 6700 pounds, just to make sure it would accept acid before we went to the bigger acid job. As you can tell, it acidized extremely tight, but we were able to pump it away.

We swabbed our load back and then we swabbed recovered oil for the first couple hours of each day, and

thereafter we had no recovery. It was strictly noncommercial at that point, with 3000 of acid.

So we proceed with our plans to try to increase the permeability of the *in situ* by a factor of five with the 23,000 gallons of 20-percent gel acid, and we pumped that away at 13.8 barrels a minute at 6800. After we cleaned up our log and produced it, the first day of production we flowed 90 barrels of oil and 118 MCF of gas with a GOR of 1311, which was a normal GOR for the Strawn reservoir in that area.

Exhibit 10 shows our production history from that initial 90 barrels of oil when it went on line on May the 17th, started out at a flowing pressure of 490 barrels of oil, and within 15 days, May 31st, is flowing by head from -- various, from 300 to 250 pounds. It's down to 45 barrels of oil per day and 76 MCF of gas per day, a decline of some 50 percent, 15 days.

Q. What would be your estimate of future production life from this well?

A. I believe this will flow until it produces the stimulated area of the 23,000 gallons of acid, which is probably no more than 100 feet. At that point it will probably load up and die. We'll have to make efforts to pump it. It will pump inefficiently, because we'll have to pump it above the directional hole. And I doubt if the

reserves will be enough to pay for the well.

So basically, it's -- We're flowing now, but it's an uneconomical well.

Q. One final question on Exhibit 10: Did Manzano receive approval from the Director of the Hobbs Office to produce the well pending this hearing?

A. That's correct, we did.

Q. Were Exhibits 4 through 10 prepared by you or under your direction or compiled from company business records?

A. They were compiled by me.

Q. And in your opinion is the granting of Manzano's Application in the interest of conservation and the prevention of waste?

A. Yes, it is.

MR. BRUCE: Mr. Examiner, I'd move the admission of Manzano's Exhibits 4 through 10.

EXAMINER ASHLEY: Exhibits 4 through 10 will be admitted as evidence.

EXAMINATION

BY EXAMINER ASHLEY:

Q. Mr. Brown, you mentioned that this is a tight formation. Do you have any kind of estimate of what the drainage radius could be?

A. Less than 100 feet.

Q. At what point did the District Office know that this was a directional well that you guys had kicked off?

A. Kicked off -- I assumed they knew when I called and asked, that I hadn't set a bottomhole plug. Evidently, they did not.

I had sent -- On the completion, I had sent this Exhibit 7 and Exhibit 6, but they were superimposed on one curve. And evidently that was confusing, and they didn't know we if ever drilled a straight hole. They thought we just went in there and went directional to begin with.

Q. And then what happened?

A. That's when they refused to give us an allowable pending this hearing. And I tried to call Chris Williams several times, and he never returned my call, just to tell him that, you know, it was a straight hole, and we went directionally, and I thought I had called the OCD and asked for permission not to set that bottom plug, and they knew it was going to be directional then, and nobody threw up a red flag that you can't do this. But he never returned my call.

Q. So you say you did talk to somebody, you told them you did set a plug -- that you wanted to set a plug and that you were going to go directionally at that point?

A. I can't swear to it, I don't have any documents. But I thought I talked to Gary Wink, that that's what we

were going to do. And according to correspondence between the OCD and the counsel, he doesn't recall the conversation.

MR. BRUCE: Mr. Examiner, in the Division's well file there is a C-103 that was dated March 16th by Manzano, and it was signed by Mr. Williams in the Hobbs office on March -- I can't tell the date. I think it's March 20th.

EXAMINER ASHLEY: And what does that say?

MR. BRUCE: I'll give you my copy, Mr. Examiner. It does refer to the drilling of the well. And shortly thereafter, we did file the request for administrative approval of the new well location with the Santa Fe office of the Division.

Q. (By Examiner Ashley) Okay, was this filed before you talked to the District, Mr. Brown? Was this C-103 dated March -- I can't -- 20-something -- I can't tell exactly what it says.

A. No, because we kicked off February the 6th, when we set our second plug.

Q. I guess you're aware of the rule, the directional drilling rule that we have, Rule 111?

A. Yes. As I say, I had been told that the Application for an unorthodox location had been approved with no objection, so we were drilling a hole in an unorthodox location that had been approved, and we were

going directionally.

And when I called for the plug, I told them we were going directionally to the northeast, because that vertical hole was dry. And no objection was raised at that point. And nobody really said, Well, you've got to go back and get another unorthodox location.

EXAMINER ASHLEY: Okay, thank you. I have nothing further.

THE WITNESS: Thank you.

EXAMINER ASHLEY: There being nothing further in this case, Case 12,425 will be taken under advisement.

And this concludes today's hearing.

(Thereupon, these proceedings were concluded at 12:52 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 12425, heard by me on 6-1, 2000.

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 June 12th, 2000.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002