

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. 12,729
)
APPLICATION OF LEONARD RESOURCE)
INVESTMENT CORPORATION FOR COMPULSORY)
POOLING, LEA COUNTY, NEW MEXICO) ORIGINAL
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID BROOKS, Hearing Examiner

September 20th, 2001

Santa Fe, New Mexico

OCT -4 AM 10:11
OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID BROOKS, Hearing Examiner, on Thursday, September 20th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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

I N D E X

September 20th, 2001
 Examiner Hearing
 CASE NO. 12,729

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>DAN LEONARD</u> (Landman)	
Direct Examination by Mr. Bruce	5
Examination by Examiner Brooks	15
<u>JOHN WORRALL</u> (Geologist)	
Direct Examination by Mr. Bruce	16
Examination by Examiner Brooks	23
Examination by Examiner Stogner	24
REPORTER'S CERTIFICATE	28

* * *

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

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	15
Exhibit 2	6	15
Exhibit 3	7	15
Exhibit 4	12	15
Exhibit 5	14	15
Exhibit 6	14	15
Exhibit 7	18	22
Exhibit 8	19	22
Exhibit 9	19	22
Exhibit 10	20	22
Exhibit 11	20	22
Exhibit 12	21	22
Exhibit 13	21	22
Exhibit 14	19	22

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

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

ALSO PRESENT:

MICHAEL E. STOGNER
 Hearing Examiner
 New Mexico Oil Conservation Division
 1220 South Saint Francis Drive
 Santa Fe, NM 87501

* * *

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

1 WHEREUPON, the following proceedings were had at
2 9:50 a.m.:

3
4
5
6 EXAMINER BROOKS: Application of Leonard Resource
7 Investment Corporation for compulsory pooling, Lea County,
8 New Mexico, Case Number 12,729.

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

11 EXAMINER BROOKS: Very good. Are there other
12 appearances?

13 There being none, would your witnesses please
14 identify themselves for the record?

15 MR. LEONARD: Yes, sir, my name is Dan Leonard.
16 I'm the president of Leonard Resource Investment
17 Corporation in Midland, Texas.

18 EXAMINER BROOKS: And -- ?

19 MR. WORRALL: John Worrall, Geologic consultant,
20 Roswell, New Mexico.

21 EXAMINER BROOKS: Okay, please stand to be sworn.
22 (Thereupon, the witnesses were sworn.)

23 EXAMINER BROOKS: You may call your first
24 witness, Mr. Bruce.

25 MR. BRUCE: Call Mr. Leonard.

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

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

DAN LEONARD,

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 for the record?

A. Dan Leonard, Midland, Texas.

Q. Who do you work for?

A. I work for Leonard Resource Investment Corporation in Midland.

Q. By training are you a landman?

A. I am.

Q. Have you previously testified before the Division as a petroleum landman?

A. It's been a while but I have, about ten years ago.

Q. Okay, and were your credentials as an expert landman accepted as a matter of record?

A. Yes.

Q. And are you familiar with the land matters involved in this Application?

A. I am indeed.

MR. BRUCE: Mr. Examiner, I tender Mr. Leonard as an expert petroleum landman.

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

1 EXAMINER BROOKS: His credentials are accepted.

2 Q. (By Mr. Bruce) Mr. Leonard, would you identify
3 Exhibit 1 and describe what Leonard Resource seeks in this
4 case?

5 A. Exhibit 1 is a land plat highlighting in yellow a
6 40-acre unit, being the northeast quarter of the southeast
7 quarter of Section 5, Township 20 South, Range 39 East, Lea
8 County, New Mexico. This unit is the unit that's going to
9 be dedicated to the drilling of the Marshall Number 1 well
10 that's going to be located on that unit 1980 feet from the
11 south line and 1750 feet from the west line of that
12 section, and what we seek is an order to force pool this
13 unit from the surface to the base of the Abo formation,
14 which will be the...

15 Q. Referring to Exhibit 2, what is the ownership of
16 the well unit?

17 A. The ownership of the well unit, as reflected on
18 Exhibit 2, Leonard Resource Investment Corporation owns
19 approximately 28 oil and gas leases representing 95.859
20 percent of the 40-acre unit. We have parties with known
21 addresses that we're seeking to force pool that own an
22 additional 1.953125 percent, and we have parties with no
23 known addresses that we're seeking to force pool that own
24 2.1875 percent of the minerals.

25 Q. And the parties whom you are seeking to pool

1 identified on the spreadsheet attached to the back of this
2 exhibit?

3 A. Most of them are. This exhibit was prepared by a
4 lease broker in Midland named Jeff Votaw, who is a contract
5 landperson that's working on our behalf to help assemble
6 the leases in this unit.

7 This spreadsheet he put together is a list of the
8 folks that we're seeking to force pool that he either
9 contacted or -- the first three parties on that
10 spreadsheet, the Wells Fargo Bank, Trustee for the two
11 Simmons Trusts, and then the Nettie B. Johnson interest are
12 -- we have known addresses on, and we've contacted the last
13 six or -- six or seven -- six parties on his spreadsheet
14 are parties that are old names in the records that the last
15 oil and gas leases that they were on, there was no address
16 listed for them, and he has made every attempt to dig up
17 addresses or phone numbers on those people and locate them.

18 On the right side of his spreadsheet is a
19 comments column that will take you through the efforts that
20 we made not only with the people with the known addresses
21 but the unknown addresses.

22 Q. Okay, why don't we maybe keep Exhibit 2 in front
23 of you and move on to Exhibit 3? Identify Exhibit 3 and
24 maybe first talk about the people with the known addresses.

25 A. Okay, Exhibit 3 is a collection of correspondence

1 from Jeff Votaw to -- well, the majority of them are to --
2 the first two are to the Wells Fargo Bank Trusts. As he
3 indicates on his spreadsheet, he initiated telephone calls
4 to the Wells Fargo Trust Department there in Midland. His
5 initial contact was March 8th. He made an offer, sent a
6 letter to them.

7 They have an oil and gas lease that they
8 typically use that we have entered into with them, several
9 other -- in several other instances out here, and the
10 indication was that they would prepare the lease and
11 forward it to us for review, and the terms that were
12 proposed for the oil and gas lease were discussed, and no
13 apparent problem.

14 The difficulty that we've had with these
15 interests is that the Wells Fargo Trust Department in
16 Midland just has not had time to address this problem. We
17 have made numerous follow-up telephone calls to these guys
18 asking them for a copy of the lease, we've been to see
19 them, had absolutely no response from them. We've gotten
20 lots of promises that we'll get the lease out by the end of
21 this week, we'll get the lease out to you next week, and we
22 just haven't got a lease.

23 And you know, the business that we're dealing
24 with today, you all are well aware, is, the rig -- lining
25 up the rigs to drill these wells is difficult, and you just

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

1 have to kind of get in line, and we're in a situation where
2 we've got rigs committed to drill a couple of wells, and
3 we're kind of behind the eight-ball here, and while we are
4 very surprised that we haven't heard from these people --
5 Actually, we did hear from them yesterday, and I suspect
6 that there's going to be some resolution to this. There's
7 really no contest of anything, it's just that they have not
8 seen fit to get the oil and gas lease together and get it
9 to us for consideration.

10 Q. So if you do come to terms with, say, Wells Fargo
11 Bank, you will subsequently notify the Division that they
12 have been leased?

13 A. Oh, sure.

14 Q. Okay.

15 A. We will. The third interest on the spreadsheet,
16 Nettie B. Johnson, again we contacted this Raymond Weisner
17 by letter back in March, did not receive a response to
18 that. We attempted to obtain phone numbers via directory
19 assistance, the Internet, select phone software program,
20 we've been to the records in Lea County, we just -- we
21 submitted another letter to them in July, and we've gotten
22 no response to that. It was -- Actually, that letter was
23 returned to us.

24 So while we have an address that we -- a known
25 address for this particular party, we suspect that there's

1 been a change in this interest or a death, and we don't
2 have any information to proceed with. And so we are
3 seeking to force pool this really under the same premises
4 that we are the following six parties that we just simply
5 have not been able to locate.

6 Q. What is the third locatable interest?

7 A. That's the Nettie B. Johnson interest.

8 Q. And then the next one after that, is that the --

9 A. Oh, I'm sorry, in Exhibit 3 there's also a letter
10 to me -- it's about the fifth letter down. It's on
11 letterhead. Robert K. Leonard is my brother in Midland who
12 works with me. The Katherine Bray Estate is a mineral
13 owner in here that is not on Votaw's spreadsheet, because
14 he didn't contact them, my brother did.

15 And this is kind of an odd situation where we
16 know these people, we've leased them before, they're in
17 producing units that we have. The lady, Katherine Bray, is
18 deceased. Katherine -- Kimberlee Dickson is related to her
19 and is a lawyer and represents her estate, and we've had --
20 we've written letters, we've talked to her on the
21 telephone.

22 And as my brother's letter to you -- to me,
23 indicates to you, the last paragraph in it, he says,
24 "Subsequently I telephoned Ms. Dickson on Thursday June 14,
25 2001 at which time she said she would execute and return

1 the documents to us." Again, this is not a contested deal,
2 this is just a matter of her not having the time to take a
3 look at this stuff and get it back to us.

4 We didn't receive them, so we e-mailed -- Kelly
5 e-mailed her a couple of times. And he says, "The last
6 time that I spoke with Ms. Dickson on August 23", when we
7 advised her that we had a rig lined up to drill this well
8 in late October or November and we needed to proceed and we
9 certainly needed to get our oil and gas leases in and that
10 we had scheduled this force pooling hearing, and we would
11 certainly rather resolve this with an oil and gas lease
12 from her, she told Kelly that he just probably ought to go
13 ahead and force pool her interest. It's just not something
14 she's going to pay any attention to, apparently.

15 Q. Okay, so at least as to the people you could
16 locate, Wells Fargo Bank Trustee, Nettie B. Johnson and the
17 Katherine Bray Richards interests, those are the locatable
18 owners that you seek to force pool at this time?

19 A. Yes.

20 Q. And then moving on to the -- back to Exhibit 2,
21 the spreadsheet with, like you said, a half a dozen people,
22 what efforts were taken to locate these interest owners?

23 A. Of course the records in Lea County, New Mexico,
24 have been searched. We did current take-offs on them, and
25 we found these people in the records by virtue of some old,

1 old oil and gas leases, 1940s and 1950s-vintage oil and gas
2 leases, I believe, and they haven't been in the record
3 since. Tax rolls we checked, they're not on the tax rolls.
4 Jeff searched the Internet, the various phone and address
5 sources that you have access to through the Internet today,
6 to locate these people and have not been able to locate
7 them.

8 Q. In your opinion, has Leonard Resource made a good
9 faith effort to obtain the voluntary joinder of the
10 interest owners in the well?

11 A. Yes, sir.

12 Q. And has it made a good faith effort to locate the
13 unlocatable interest owners?

14 A. I believe we have.

15 Q. Would you please identify Exhibit 4 and discuss
16 the cost of the proposed well?

17 A. Exhibit 4 is an AFE for the Marshall Number 1,
18 the proposed Abo test on this 40-acre tract. It's prepared
19 by Capataz Operating, Inc., who is a partner and the
20 operator of this entity of collection of independents that
21 are involved in this project.

22 The dryhole cost on this AFE is in the left-hand
23 column. The total is \$376,726. The completed well cost on
24 the right-hand column is \$735,524.

25 Q. Okay. And are these well costs in line with the

1 costs of other wells drilled to this depth in this area of
2 Lea County?

3 A. I believe they are. We have participated in
4 drilling similar-depth wells out here with Apache and with
5 Collins and Ware, and I think that these numbers compare
6 quite favorably. We have consistently been better at
7 handling these costs than they have been.

8 Q. Okay. Who do you request be named or designated
9 operator of the well?

10 A. Capataz Operating.

11 Q. Do you have a recommendation for the amounts
12 which Leonard Resource should be paid for super- -- or the
13 operator, Capataz Operating, Inc., should be paid for
14 supervision and administrative expenses?

15 A. The accounting procedures on the operating
16 agreement that's currently in force and effect on most of
17 the wells that we drilled out there would probably be
18 extended -- well, not extended, be a separate operating
19 agreement, but it would be the same set of accounting
20 procedures as -- the amounts are \$4500 per month for a
21 drilling well and \$450 per month for producing well costs.

22 Q. And are these amounts equivalent to those
23 normally charged by operators in this area for wells of
24 this depth?

25 A. On the lesser end of those that I know. We've

1 again dealt with Apache and Collins and Ware, and I think
2 Apache is \$5500 a month drilling and \$550 operating, and
3 Collins and Ware was exactly the same as us, \$450 and
4 \$4500.

5 Q. And do you request that these overhead rates be
6 adjusted periodically as provided by the COPAS accounting
7 procedure?

8 A. In fairness to our operator, I certainly think
9 so.

10 Q. Were the locatable interest owners notified of
11 this hearing?

12 A. They were.

13 Q. And is Exhibit 5 my affidavit of notice?

14 A. Yes, it is.

15 MR. BRUCE: Okay. And Mr. Examiner, Exhibit 6 is
16 simply an affidavit of publication from the Hobbs newspaper
17 naming the half dozen parties who we could not locate,
18 giving notice of this hearing today.

19 Q. (By Mr. Bruce) Mr. Leonard, were Exhibits 1
20 through 6 prepared by you or under your supervision or
21 compiled from company business records?

22 A. They were.

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

1 wish they had.

2 Q. (By Examiner Brooks) Okay. With that
3 assurance -- you went a little fast for me here -- this is
4 in the northeast of the southwest of Section 5; is that
5 correct?

6 A. Yes, sir.

7 Q. And it was 1980 from the south, and what was the
8 other?

9 A. 1750 from the west.

10 Q. 1750 from the west.

11 A. Yes, sir.

12 Q. Surface to the base of the Abo.

13 A. Yes, sir.

14 EXAMINER BROOKS: And, let's see. Actually, I
15 guess that's all the questions I have of you. I'll reserve
16 my other questions for the other witness.

17 THE WITNESS: All right, sir.

18 EXAMINER BROOKS: So you may stand down. Thank
19 you.

20 JOHN WORRALL,

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

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Would you please state your full name and city of

1 residence?

2 A. My name is John Worrall and I live in Roswell,
3 New Mexico.

4 Q. What is your occupation?

5 A. Geologist.

6 Q. What is your relationship to the Applicant in
7 this case?

8 A. I'm a consulting geologist for them, and I'm also
9 a participant.

10 Q. Have you previously testified before the Division
11 as a geologist?

12 A. Yes, I have.

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

15 A. Yes, they were.

16 Q. And are you familiar with the geology involved in
17 this Application?

18 A. Yes.

19 MR. BRUCE: Mr. Examiner, I tender Mr. Worrall as
20 an expert petroleum geologist.

21 EXAMINER BROOKS: His credentials will be
22 accepted.

23 Q. (By Mr. Bruce) Mr. Worrall, what is the primary
24 zone of interest for the proposed well?

25 A. Our primary objectives are the Abo dolomite and

1 the Drinkard dolomite. They're present at 7500 feet and
2 7100 feet beneath the surface.

3 Q. Okay, maybe move on to your Exhibit 7 and discuss
4 what that exhibit shows for the Examiner.

5 A. Okay, we've got a series of maps that you should
6 each have a copy of. The very first map is a production
7 map, and our location for the Marshall Number 1 is shown.
8 It is in the northeast of the southwest quarter.

9 The color code for these maps, the gray and the
10 green are shallow production from the Seven Rivers and the
11 San Andres. Green is the San Andres. And our location is
12 beneath a well that was drilled just to the San Andres -- I
13 mean, it's adjacent to it.

14 Our objective is to drill in between the two
15 wells shown with the cross-section, A-A', between two deep
16 wells drilled in the 1950s, 1948 and 1950, to assess the
17 Permian carbonates beneath the shallower producing
18 horizons. And those objectives are the Blinbry at 6000
19 feet, the Tubb at 6800 feet, the Drinkard at 7100 feet, and
20 then the Abo at about 7500 feet. So these other maps
21 behind us will attest to that.

22 Q. Well, why don't you move on to your first, I
23 think, two maps, which discuss the Abo geology, and why
24 don't you identify those and discuss them in more detail
25 for the Examiner?

1 A. The next map that you should have is a top of Abo
2 dolomite map. And our location is in between on A-A', the
3 Kyte Number 1, which is a west offset with a top of 3783,
4 and then to the east a well called the Weltmer Number 1 at
5 3826 below sea level. So we're structurally in between
6 those two wells. Both of those wells penetrated the Abo at
7 that time, and neither were productive from the Abo.

8 I'd like to speak to the cross-section at the
9 same time, if I may.

10 Q. Go ahead.

11 A. You should also have a cross-section in the
12 package.

13 MR. BRUCE: I believe it's the final exhibit in
14 the package, Mr. Examiner.

15 EXAMINER BROOKS: Number 14?

16 MR. BRUCE: Yes, sir.

17 THE WITNESS: This cross-section is the two wells
18 on either side of the Marshall Number 1. The well on the
19 left side is the Kyte Number 1, which is a west offset, and
20 the well on the right is the east offset -- actually it's
21 two locations east -- called the Weltmer Number 1. And if
22 you'll go to the very bottom of the cross-section, that is
23 the Abo dolomite from 7400 feet down to 7750 feet.

24 And our objective is to test the Abo interval
25 that was drill stem tested as shown by these green bars,

1 the interval that was drill stem tested, each of which
2 recovered oil and gas-cut mud when this well was drilled in
3 1948.

4 The operator at that time tried to complete this
5 open hole, and it was noncommercial, and our objective is
6 to go back in and use more current techniques to improve
7 the completion and try to make a commercial well.

8 Q. (By Mr. Bruce) Now, you've mentioned some other
9 potential zones. Why don't you go to -- let me make sure
10 I've got the right maps -- Exhibits 10 and 11 together and
11 discuss the Drinkard in a little more detail?

12 A. The second primary objective is to test the
13 Drinkard formation. The Drinkard formation produced 7 BCF
14 in a well that's three-quarters of a mile east, and our
15 well would be drilled west of that. And the maps show --
16 our structure map shows that our location should be
17 approximately 20 feet updip. That's the top of Drinkard
18 porosity map. And then our isopach map shows that we will
19 test the western and updip limit of that porosity lens. So
20 we're trying to get upstructure to the 7-BCF gas well from
21 that horizon.

22 The cross-section shows that the well -- or west
23 offset, has no porosity. The east offset, the well that's
24 two locations east, has the porosity zone in it. So the
25 wellbore will be penetrating. We're trying to find the

1 updip edge of that porosity, and that is the main risk,
2 whether or not the porosity will be present.

3 And then the second risk will be how much
4 pressure is left in the reservoir three-quarters of a mile
5 west of a 7-BCF gas well that's been producing for about 50
6 years.

7 Q. Okay. And then finally move on to the Blinebry,
8 which are Exhibits 12 and 13, together with the cross-
9 section.

10 A. The Blinebry structure -- The Blinebry does not
11 produce in any well on this map. It is a secondary
12 objective. It is a main pay zone in the House field three
13 miles west of this field or this location, and it's simply
14 a secondary objective that we'll look at while we're
15 drilling the well.

16 Q. Okay. In your opinion, is there risk involved in
17 drilling this well?

18 A. Yeah, obviously we're drilling between two wells
19 that were nonproductive from these intervals. There's
20 completion risk and then there's drilling risk.

21 Q. And in your opinion, should the maximum cost-
22 plus-200-percent penalty be assessed against any interest
23 owner who goes nonconsent in this well?

24 A. Yes.

25 Q. Were Exhibits 7 through 14 prepared by you or

1 under your supervision?

2 A. Yes, they were.

3 Q. And in your opinion is the granting of this
4 Application in the interests of conservation and the
5 prevention of waste?

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I'd tender the
8 admission of Exhibits 7 through 14.

9 EXAMINER BROOKS: Okay, Exhibits 7 through 14
10 will be admitted.

11 MR. BRUCE: And I pass the witness.

12 EXAMINER BROOKS: The question I should have
13 addressed to the previous witness, but I was a little bit
14 confused here, and I see the reason I'm confused is because
15 this is an irregular section on the edge of the state
16 there, and this is styled the northeast quarter, even
17 though it looks like if you went from the east west it
18 would be the northwest quarter of the southwest quarter.
19 But maybe -- Mr. Bruce, maybe you can clarify that for me.

20 MR. BRUCE: Yeah, we did file it for the
21 northeast quarter of the southwest quarter. I believe that
22 in essence the lots on the east side of that section, in
23 essence, comprise the east half, and then the regular
24 acreage to the west, irregular 320 acres to the west, would
25 be the west half.

1 EXAMINER BROOKS: Okay, yeah, it looked like it
2 would be the north -- Just visualizing it, it looked like
3 it would be the northwest of the northeast rather than the
4 northeast of the northwest, but I see what you're talking
5 about. Those two -- the small lots are the east half for
6 official designation purposes.

7 MR. BRUCE: Correct.

8 EXAMINER BROOKS: Okay, I'm clear on that.

9 EXAMINATION

10 BY EXAMINER BROOKS:

11 Q. And can you help me with any of the pool names?
12 Do you know the pool names of the formations you're --
13 objective formations, or are they designated?

14 A. There is no pool in the Blinebry, Tubb or
15 Drinkard set up in Section 5 currently. The only
16 production is shallow, from the Yates and the Seven Rivers.

17 Q. And what about the Abo?

18 A. The Abo is not productive either.

19 EXAMINER BROOKS: Okay.

20 MR. BRUCE: It is in House-San Andres Pool, Mr.
21 Examiner.

22 EXAMINER BROOKS: Okay.

23 THE WITNESS: For the shallow production.

24 Q. (By Examiner Brooks) I was thinking the -- I
25 guess I'm confused on my stratigraphic here. I was

1 thinking the San Andres was deeper than that. But the San
2 Andres is a shallower formation?

3 A. The San Andres is about 4400 feet.

4 Q. So it will be within the zone pooled?

5 MR. BRUCE: Yes, sir.

6 EXAMINER BROOKS: And what is the pool name?

7 MR. BRUCE: House-San Andres.

8 EXAMINER BROOKS: House-San Andres.

9 Q. (By Examiner Brooks) But that's not one you
10 expect to be productive?

11 A. Correct, it's already produced on that proration
12 unit --

13 Q. Okay.

14 A. -- and has been plugged and abandoned.

15 EXAMINER BROOKS: Okay, I guess that's my only
16 question. Mr. Stogner, any questions?

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. The production of the wells back to the east --
20 Now, let me get this straight. Does the stratigraphy
21 actually cross the state line, have you actually mapped
22 that?

23 (Laughter)

24 A. You have to change your name.

25 Q. Okay. The production over to the east -- and I'm

1 referring to Exhibit Number 7 -- you show quite a bit of
2 Drinkard production --

3 A. Yes.

4 Q. -- back over to the east, and then you have that
5 little bit of -- what? Is that Glorieta or Blinebry?

6 A. The brown color is Drinkard, and that's actually
7 a 7-BCF gas well. This is a BOE production equivalent map,
8 so that's equivalent barrels, 1.3 million barrels. The
9 green is San Andres. That's about 4300 feet. The gray is
10 Seven Rivers, and that's about 3000 feet.

11 Q. Okay, what is the purple one? I'm looking at
12 that one purple well. It looks to be purple to me. Is
13 that Permian? Or is it blue?

14 A. I believe it's Permian.

15 Q. Okay, okay. Okay, the colors were a little
16 confusing.

17 You show that one well that is on your cross-
18 section over on -- to the east. When was that plugged and
19 abandoned? What was the dates on that well?

20 A. 1950 is the one to the east, 1948 is the one to
21 the west, both drilled by Union of California.

22 Q. And can you elaborate on the -- the well that's
23 in the -- the old well that was in the proration unit --
24 I'm referring now to Exhibit 1 or any of your exhibits that
25 show the old well -- that again produced what, in the late

1 1940s, early 1950s?

2 A. It was drilled in the 1950s, produced from the
3 San Andres, was plugged in 1991, and it only was drilled to
4 the San Andres depth.

5 Q. Okay, and how was that well completed?

6 A. It was completed in the San Andres.

7 Q. Open hole?

8 A. I would -- I do not know for sure.

9 Q. Okay, you don't know the kind of stimulation
10 techniques that were used then? Would it have been a nitro
11 frac or --

12 A. Typically they did on the San Andres.

13 Q. Okay. How is that going to affect this
14 particular well?

15 A. Our well will be cased through the San Andres
16 with 5-1/2-inch casing, and our zones -- And of course
17 we'll have cement behind the pipe, and we'll be 2000 feet
18 to 4000 feet below that, so it should not have an effect on
19 what we will be completing.

20 Q. But for your other test in the San Andres there,
21 I mean, that's one of your secondary objectives, right?

22 A. It's a fairly thin zone, it's only ten feet
23 thick. We're only going to be 100 feet away from that
24 earlier wellbore. I don't consider it an objective. It
25 should be depleted.

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

EXAMINER STOGNER: I have no other questions, Mr. Examiner.

EXAMINER BROOKS: Very good. Anything further, Mr. Bruce?

MR. BRUCE: No, sir.

EXAMINER BROOKS: Okay, Case Number 12,729 will be taken under advisement.

(Thereupon, these proceedings were concluded at 10:20 a.m.)

* * *

Handwritten: Case No. 12729
Sept 20, 2001
David K. Pappas
Off 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 September 21st, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002