

## 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. 12,749

APPLICATION OF EOG RESOURCES, INC., FOR )  
 COMPULSORY POOLING AND AN UNORTHODOX GAS )  
 WELL LOCATION, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

November 1st, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, November 11th, 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.

\* \* \*

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 CLERK OF COURT

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November 1st, 2001  
Examiner Hearing  
CASE NO. 12,749

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\* \* \*

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

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: WILLIAM F. CARR

## ALSO PRESENT:

DAVID R. CATANACH  
 Hearing Examiner  
 New Mexico Oil Conservation Division  
 1220 South Saint Francis Drive  
 Santa Fe, NM 87501

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:55 a.m.:

3           EXAMINER BROOKS: We'll call Case Number 12,749,  
4   Application of EOG Resources, Inc., for compulsory pooling  
5   and an unorthodox gas well location, Lea County, New  
6   Mexico.

7           MR. CARR: May it please the Examiner, my name is  
8   William F. Carr with the Santa Fe law firm Holland and  
9   Hart, L.L.P. We represent EOG Resources, Inc., in this  
10   matter, and I have two witnesses.

11          EXAMINER BROOKS: Very good, you may proceed.

12          Let's see, we need to swear the witnesses. Will  
13   the witnesses stand and identify themselves for the record?

14          MR. TOWER: Patrick J. Tower, T-o-w-e-r.

15          MR. GODSEY: David A. Godsey.

16          (Thereupon, the witnesses were sworn.)

17          EXAMINER BROOKS: You may proceed.

18          MR. CARR: Thank you Mr. Brooks.

19                 PATRICK J. TOWER,

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

22                         DIRECT EXAMINATION

23   BY MR. CARR:

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

25           A.    Patrick J. Tower.

1 Q. Mr. Tower, where do you reside?

2 A. Midland, Texas.

3 Q. By whom are you employed?

4 A. EOG Resources, Inc.

5 Q. And what is your position with EOG Resources,  
6 Inc.?

7 A. Project landman.

8 Q. Mr. Tower, have you previously testified before  
9 the New Mexico Oil Conservation Division?

10 A. Yes, I have.

11 Q. At the time of that testimony were your  
12 credentials as an expert witness in petroleum land matters  
13 accepted and made a matter of record?

14 A. Yes.

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

17 A. Yes, I am.

18 Q. Are you familiar with the status of the lands in  
19 the area which is the subject of this Application?

20 A. Yes, I am.

21 MR. CARR: Are the witness's qualifications  
22 acceptable?

23 EXAMINER BROOKS: Yes, they are accepted.

24 Q. (By Mr. Carr) Mr. Tower, would you initially  
25 review for Mr. Brooks what it is that EOG is seeking in

1 this case and also explain which portions of the  
2 Application may now be dismissed?

3 A. Yes. EOG Resources, Inc., is seeking an order  
4 pooling all mineral interests in all formations from the  
5 surface to the base of the Morrow in the described spacing  
6 units and proration units I'm going to mention in a minute  
7 as far as the east half of Section 13, Township 18 South,  
8 Range 32 East, in Lea County, New Mexico, with the  
9 formations or the spacing units we are seeking to be the  
10 east half of Section 13 for all formations or pools  
11 developed on 320-acre spacing, which includes but is not  
12 necessarily limited to the undesignated South Corbin-Morrow  
13 Gas Pool; then in addition all formations and pools on 160-  
14 acre spacing, being the southeast quarter; and the north  
15 half of the southeast quarter for all formation pools  
16 developed on 80-acre spacing, which would include but again  
17 not be limited to the undesignated South Corbin-Wolfcamp  
18 Pool.

19 And then insofar as the Application had listed  
20 the northeast of the southeast quarter for all 40-acre  
21 pools that were developed that would include the  
22 Undesignated Querecho Plains-Upper Bone Spring Pool, we are  
23 to -- requesting go ahead and eliminate that 40-acre tract,  
24 and the reason being, EOG has no ownership rights in that  
25 40 acres, and inadvertently we listed it in the

1 Application. So we're agreeable to dismiss the northeast  
2 southeast quarter as to any 40-acre pools.

3 Q. What about the status of the request for and  
4 unorthodox well location?

5 A. EOG is proposing to drill its Mantaray 13 Fed Com  
6 Number 1, and it's at an unorthodox location located 2306  
7 feet from the south line and 936 feet from the east line.

8 However, initially we have applied and received  
9 Administrative Order Number NSL-4656 that was issued by the  
10 Division on October 22nd of this year. It was our thought  
11 that we would file that, and we expected to have voluntary  
12 agreement and could then dismiss this hearing, although as  
13 I get into the land testimony there are some interests that  
14 are not finalized, and I will address those. And hence,  
15 we're just coming before you for the compulsory pooling  
16 aspect of this case.

17 Q. So Mr. Tower, you initially thought maybe you  
18 could get a voluntary agreement as to the interest owners  
19 in this unit?

20 A. Yes.

21 Q. And you obtained an administrative order  
22 approving the location?

23 A. That is correct.

24 Q. But you now have to go forward with pooling  
25 because there are certain interest owners who still may

1 need to have --

2 A. That is correct.

3 Q. -- through a pooling order?

4 A. Yes.

5 Q. Let's go to what has been marked as Exhibit  
6 Number 1. Would you identify and review this for Mr.  
7 Brooks, please?

8 A. Exhibit Number 1 is a land map, and it depicts  
9 the spacing and proration unit based on the deepest  
10 formation, which are the primary targets outlined in purple  
11 or red there, being the east half of Section 18. It also  
12 shows the proposed location that I mentioned for the  
13 Mantaray 13 well and shows the general ownership in the  
14 area.

15 Q. What is the primary objective in the well? Is it  
16 the Morrow?

17 A. The primary objective is the Morrow, and also a  
18 secondary objective that is also of prime importance is the  
19 wildcat Strawn formation just above the Morrow.

20 Q. And the well location is standard in the Strawn?

21 A. It is -- Yeah, the well location is standard for  
22 the Strawn formation.

23 Q. Let's go to EOG Exhibit Number 2. Identify and  
24 review this.

25 A. Exhibit Number 2 is a breakdown of the parties

1 being force-pooled or that we're applying for by spacing  
2 unit. And if you notice, the first grouping is the 320-  
3 acre spacing unit, being the prime objectives that we're  
4 after, and there is approximately 17 -- or 18 percent  
5 uncommitted.

6 Then the second grouping lists the southeast  
7 quarter being the 160-acre spacing, and we have  
8 approximately 21 1/2 percent uncommitted.

9 And then the 80-acre spacing, the north half,  
10 southeast, reflects that there's approximately 37 1/2  
11 percent uncommitted.

12 But I will point out, in the deepest pool, the  
13 320 acres, only 12 1/2 percent of that is probably going to  
14 be uncommitted, and we hope to work a deal. The remaining  
15 parties below Devon is a title problem. They owe a  
16 reassignment to Exxon, Exxon has committed to a voluntary  
17 agreement with EOG, they owe a reassignment to Exxon, and  
18 we have agreed that once that reassignment is given to  
19 Exxon and title is back to Exxon, which will be in EOG, we  
20 will dismiss the four parties listed there below Devon, and  
21 that will only apply insofar as the 320-acre spacing unit.

22 The remaining parties in the southeast quarter  
23 and the north half, southeast, the majority owner there,  
24 being Lowe Partners, L.P., they have voluntarily indicated  
25 they will likely make a voluntary trade. However, we have

1 no written confirmation, or they do not have management  
2 approval. I anticipate that will happen, and as soon as  
3 any of these parties commit to that, we will immediately  
4 notify and dismiss them from this issue. But at this point  
5 in time we have nothing committed in writing from the  
6 parties listed here.

7 Q. Mr. Tower, what are EOG's plans for the  
8 commencement of drilling? What's your time frame?

9 A. We have this on our rig schedule coming up in the  
10 near term, and that's why we're pushing forward with this.  
11 We also -- this is in -- The BLM has had recent meetings on  
12 their prairie chicken status, and my understanding, they've  
13 got two areas that they -- after doing a lot of clear  
14 listing, and this is in one of their prime areas of  
15 protection.

16 So therefore, we're also looking at a window  
17 coming up early spring that we need to be in and out of  
18 here prior to that is the likely case. So therefore, we're  
19 kind of pushing this forward. And otherwise, we would  
20 spend a little more time trying to meet voluntary  
21 agreements, but that's why we're before you.

22 Q. Mr. Tower, identify and review for the Examiner  
23 EOG Exhibit 3.

24 A. Okay, Exhibit 3 is a compilation of all the  
25 correspondence and dealings with the partners in written

1 form. I will testify there's been numerous additional  
2 discussions over the phone, in addition to all this  
3 correspondence.

4 What you will notice is the initial contact with  
5 the affected owners was in July, approximately July 17th,  
6 trying to entertain a voluntary agreement.

7 What you'll also notice is, subsequent to that  
8 after further discussions, the well proposal was issued to  
9 them September 27th of this year. And then of late -- the  
10 last correspondence here, October 29th, which is a letter  
11 to primarily the shallower owners, not the 320-acre owners,  
12 kind of going through some of the summary of -- we will  
13 dismiss the 40 acres, some of the trade aspects and some of  
14 the discussions we've had, that once we receive this title  
15 clearance we will dismiss them.

16 So it puts in writing all the agreements EOG has  
17 entertained once we have received the proper documentations  
18 for dismissing those interests.

19 Q. You've been able to locate all the interest  
20 owners in the spacing unit?

21 A. Yes, we have.

22 Q. And you've been in contact with all of them?

23 A. Yes, I have.

24 Q. What is Exhibit Number 4?

25 A. Exhibit Number 4 is the drilling cost estimate

1 for this proposed Mantaray 13 Fed Com Number 1.

2 Q. Would you review the totals on this exhibit,  
3 please?

4 A. Yes. In essence, its estimate shows it's for a  
5 Morrow test with the dryhole cost estimated to be \$900,300  
6 and the total completed well cost to be \$1,547,300.

7 Q. Has EOG drilled other Morrow wells in this area?

8 A. Yes, we have.

9 Q. And are these costs in line with the costs  
10 actually incurred by EOG in the drilling of similar wells?

11 A. Yes, they are.

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

15 A. Yes, I have.

16 Q. And what are those figures?

17 A. I would recommend that that drilling well rate be  
18 \$6000 and the producing well rate be \$600.

19 Q. And how do these figures compare to the 2000-2001  
20 Ernst and Young figures for wells at this depth?

21 A. Actually, they're on the low side, but we think  
22 these are reasonable.

23 Q. Do you recommend that these figures be  
24 incorporated into the order that results from this hearing?

25 A. Yes, I do.

1 Q. Is Exhibit Number 6 an affidavit that confirms  
2 that notice of this hearing has been provided to the  
3 affected interest owners in accordance with the Rules of  
4 the Oil Conservation Division?

5 A. Yes, it is.

6 Q. Will EOG be calling an additional witness to  
7 review the technical portions of the case and the risk  
8 associated with the drilling of this well?

9 A. Yes, we will.

10 Q. Were Exhibits 1 through 4 and 6 prepared by you  
11 or compiled under your direction and supervision?

12 A. Yes, they were.

13 MR. CARR: Mr. Brooks, at this time we would move  
14 the admission into evidence of Exhibits 1 through 4 and 6.

15 EXAMINER BROOKS: Okay, Exhibits 1 through 4 and  
16 6 are admitted.

17 MR. CARR: And that concludes my direct  
18 examination of Mr. Tower.

19 EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. Okay, let me be sure everything I have here is  
22 correct. The east half is Undesignated South Corbin-  
23 Morrow; is that --

24 A. That is correct.

25 Q. And the north half of the northeast quarter with

1 80-acre spacing is undesignated South Corbin-Wolfcamp?

2 A. Yes, sir.

3 Q. Do you know of any other pools that are affected?

4 A. No.

5 Q. And the location is 2306 from the south and 936  
6 from the east?

7 A. Yes.

8 Q. Okay. Your Administrative Order is NSL-4656 --

9 A. Yes, sir.

10 Q. -- giving the location?

11 A. That is correct.

12 EXAMINER BROOKS: Okay, it looks like I have  
13 everything that I need. Thanks very much.

14 THE WITNESS: All right, thank you.

15 MR. CARR: May it please the Examiner, at this  
16 time we would call David Godsey.

17 DAVID A. GODSEY,

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

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your full name for the record,  
23 please?

24 A. David A. Godsey.

25 Q. And where do you reside?

1 A. Midland, Texas.

2 Q. By whom are you employed?

3 A. EOG Resources.

4 Q. Mr. Godsey, have you previously testified before  
5 this Division?

6 A. Yes, I have.

7 Q. At the time of that testimony, were your  
8 credentials as an expert witness in petroleum geology  
9 accepted and made a matter of record?

10 A. Yes, they were.

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

13 A. Yes, I am.

14 Q. Have you made a geological study of the area  
15 which is involved in this Application?

16 A. Yes.

17 Q. And what have you attempted to do?

18 A. Well, I've attempted to assess the risk  
19 associated with the drilling of the subject well.

20 Q. Are you prepared to share the results of your  
21 geological work with Mr. Brooks?

22 A. Yes, I am.

23 MR. CARR: We tender the witness as an expert in  
24 petroleum geology.

25 EXAMINER BROOKS: His credentials are accepted.

1           Q.    (By Mr. Carr) Mr. Godsey, let's go to what has  
2   been marked for identification as EOG Resources Exhibit  
3   Number 7, and I'd ask you to first identify this and then  
4   explain to the Examiner what the exhibit shows.

5           A.    Okay. Exhibit 7 is a production map for the  
6   area. This is a 49-square-mile area, centered around  
7   Section 13 of Township 18 South, 32 East. The map scale is  
8   1 to 2000, and we're only posting wells that are 12,800  
9   feet or deeper, which would effectively show only the  
10   Morrow penetrations. The production posted on here is for  
11   the Morrow only, and that's what the purpose of this  
12   exhibit is.

13               Now, in red outline on here is indicated the 320-  
14   acre unit where the Mantaray location would be spotted, and  
15   in yellow is indicated the EOG acreage position.

16               Posted below the well spots on the map are the  
17   well names and well numbers, and above the locations would  
18   be the gas and oil production as of 1-1-2001, gas being in  
19   red, oil being in green respectively. The size of the  
20   bubbles that are indicated in green here, that is the  
21   Morrow production, the gas production bubble relative to  
22   its cumulative production.

23               There are two exceptions to the date of the  
24   cumulative production that's posted on here. There are two  
25   EOG wells, one in Section 18, being the Corbin 18 Fed Com

1 Number 1, and in the northeast northeast of Section 21,  
2 being the Corbin 21 Number 1. The production posted there  
3 is as of September of 2001.

4 The purpose of the exhibit really is to indicate  
5 the Morrow penetrations in the area and the production  
6 associated with it. If you look at this, there are 51  
7 wells in this 49-square-mile area that have penetrated the  
8 Morrow. Of that, there have been 25 wells that found some  
9 type of production out of the Morrow.

10 Eight of the wells are still active in the area,  
11 and those are the ones with the red-centered highlights  
12 over the green bubbling.

13 But of those 25 producers only 15 wells are  
14 economic producers, which is pretty typical for the Morrow  
15 production throughout southeast New Mexico. Basically in  
16 this area of southeast New Mexico, your success probability  
17 for finding a commercial producer in the Morrow is less  
18 than 30 percent, and that's what this map is indicating.

19 Q. You've had 51 penetrations, you have 15  
20 commercial wells; is that --

21 A. Correct.

22 Q. -- what you said?

23 If I look at this map it also appears that the  
24 proposed well location is toward the north end of what  
25 appears to be the bulk of the Morrow play in the area; is

1 that fair to say?

2 A. That is fair to say.

3 Q. Let's go to Exhibit Number 8. Would you identify  
4 and review that?

5 A. Exhibit Number 8 is what I've labeled the Hudson  
6 net sand isopach. Now, we've zeroed in specifically around  
7 Section 13. It covers nine square miles. The map scale is  
8 now one inch to 1000 feet.

9 The labeling is very similar all the way through.  
10 The 320-acre unit is outlined in red again, EOG's acreage  
11 position is in yellow, the Morrow producers are indicated  
12 with the green bubbling. Again, the well name and number  
13 is posted below the well spot.

14 Above the well spot are posted two numbers, not  
15 production this time. The top number is kind of a light  
16 blue is a net porous sand number. The second number, which  
17 is in red, is the net clean sand number. This is for the  
18 Hudson Sand Unit, which is what I've identified as the main  
19 producing middle Morrow sand in this area. And that  
20 number, the net clean sand, is what is isopached here.

21 The isopach map is a ten-foot contour interval of  
22 the Hudson sand that I've identified through this area,  
23 which is part of an overall north-northwest-to-south-  
24 southeast-trending fluvial deltaic sand deposit.

25 What you can see from this map is, I have, you

1 know, reasonable geologic expectation of encountering a  
2 thick body of Hudson sand. The Hudson sand designation is  
3 just an internal designation that I have given to keep the  
4 multiple sands straight within our office.

5 Q. Let's go to Exhibit Number 9, your cross-section.

6 A. Okay, Exhibit Number 9 is a stratigraphic cross-  
7 section. It's the cross-section you're seeing designated  
8 as left to right on both of the previous exhibits.  
9 Vertical scale is one inch to 100 feet, horizontal scale is  
10 indicated at the top with the distance between well spots  
11 indicated there towards the top of the cross-section.

12 On the left end is the Ralph Lowe Yates Federal  
13 Number 1. It's the nearest point of well control to the  
14 southwest of the proposed location. In the middle is our  
15 proposed location, the Mantaray. And then on the right  
16 side is the nearest point of Morrow well control to the  
17 east, which is the EOG Resources Corbin 18 Fed Com Number  
18 1.

19 Now, what we're indicating here, as far as  
20 annotations on the cross-section, obviously we've labeled  
21 several of the major formations in here. This really  
22 covers from the Strawn down into the Mississippian in this  
23 area.

24 DSTs are indicated in red, in a half-triangle  
25 shape along the depth column. Perforations are black boxes

1 on the right side of the depth column. And then in a green  
2 box would be perforations that are tested or produced  
3 together.

4 So what you see here on the left side is the  
5 Ralph Lowe well that had numerous DSTs in the Morrow  
6 section, encountering various combinations of gas, oil and  
7 water.

8 On the right side is the Corbin 18 Fed Com Number  
9 1. That well is a recent well by EOG. We've made about 60  
10 million cubic feet of gas and 11,000 barrels of oil so far.  
11 Current rate out of the Morrow is averaging 500 MCF a day,  
12 and the Strawn is averaging 40 barrels a day.

13 Because of the relatively low rates in here, that  
14 well is downhole commingled such that the gas is assisting  
15 in lifting the oil out of the Strawn. Okay?

16 The purpose of this exhibit is twofold, really,  
17 to show the stratigraphic relationship of the Strawn  
18 through the Atoka-Morrow into the Mississippian here, and  
19 to illustrate the complex individual stratigraphic  
20 relationships between the various Morrow sands in the area.

21 Q. Mr. Godsey, are you prepared to make a  
22 recommendation to the Examiner concerning the risk penalty  
23 that should be assessed against any nonparticipating  
24 interest owner in this proposed well?

25 A. Yes, we're seeking full 200-percent penalty.

1 Q. And I'd ask you to summarize for the Examiner  
2 your reasons for this 200-percent penalty.

3 A. Well, as we've indicated here and is prevalent  
4 throughout southeast New Mexico, the Morrow is high-risk  
5 play to drill in. You have a pretty tough risk assessment,  
6 basically less than 30 percent for an economic success in  
7 here. EOG feels like if we're having to carry someone's  
8 interest in that, we would like that to be offset with the  
9 maximum penalty.

10 Q. You testified that you, based on your work, have  
11 a reasonable expectation of encountering productive Morrow  
12 sands?

13 A. Yes, I do.

14 Q. At the same time, do you believe there is a  
15 chance that at this location you could drill a Morrow well  
16 that would not be an economic success?

17 A. Absolutely. I'm pretty good, but I draw my maps  
18 in pencil.

19 Q. That's the reason you're seeking the risk  
20 penalty?

21 A. Yes.

22 Q. Does EOG seek to be designated the operator of  
23 the well?

24 A. Yes, we do.

25 Q. In your opinion will approval of this Application

1 be in the best interests of conservation, the prevention of  
2 waste and the protection of correlative rights?

3 A. Yes.

4 Q. Were EOG Exhibits 7 through 9 prepared by you?

5 A. Yes.

6 MR. CARR: At this time, Mr. Brooks, we would  
7 move the admission into evidence of EOG Exhibits 7 through  
8 9.

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

11 MR. CARR: That concludes my direct examination  
12 of this witness.

13 EXAMINER BROOKS: Okay. I want to congratulate  
14 you on this -- I don't know if it's original with you, but  
15 I haven't seen it before, of making the bubble around the  
16 well the size of the cumulative production. I think it's a  
17 great way to illustrate it, makes it a lot easier to see  
18 what is being shown.

19 EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. Just looking at your isopach, it doesn't look  
22 like it's based on a great deal of well control. What is  
23 your reason for thinking that there's a much greater  
24 thickness there in the middle? I don't know if it has  
25 anything to do with the Application, but I'm just curious.

1           A.   Well, obviously I've mapped a much larger area  
2   than this.  Also, I used whatever information I could get.  
3   For example, in the Corbin 18 Fed Com Number 1, we do have  
4   stratigraphic dipmeter which would indicate several sands,  
5   particularly the Hudson sand, should be thickening to the  
6   west of that wellbore.

7           Also in the -- the well on the left side of the  
8   cross-section, the Yates Federal Number 1, while I do not  
9   have a dipmeter there, I have good correlative sands there  
10   and an indication that in my experience I think they're  
11   close to a thicker sandbody, though you are hitting upon a  
12   lot of the risks that I know other geologists in this room  
13   are very familiar with in drilling for the Morrow.

14           Part of it is, I've mapped it, and I believe this  
15   is the way it is.  There are other Morrow sands that we,  
16   you know, can encounter also.

17           EXAMINER BROOKS:  Very good.  Well, any  
18   questions, Mr. Catanach?

19           EXAMINER CATANACH:  Just one.

20                           EXAMINATION

21   BY EXAMINER CATANACH:

22           Q.   What is the potential in the Strawn, Mr. Godsey?

23           A.   Well, the nearest producers to us are actually to  
24   the southeast of us, and they've done about 50,000 barrels  
25   of oil.

1           However, as you see on the cross-section, what  
2       we're really looking for is the, quote, unquote, Lusk pay.  
3       This will be, you know, correlative to the very prolific  
4       pay in the Lusk field. There are half-a-million-barrel-  
5       type wells in there, though the nearest well of that size  
6       is several miles a way.

7           So the realistic -- probably the -- the greatest  
8       probability of production out of the Strawn is in the  
9       50,000-to-100,000-barrel range, with a much lower  
10      probability of something that much better if we're right in  
11      our interpretation.

12          The location that we picked for this is a  
13      location where we did use 3-D seismic to help us pick our  
14      Strawn location based on some thickening in the Strawn  
15      unit. We think that can be an indication of Strawn algal  
16      mound buildup, which is commonly used throughout the play.

17          The specific location we picked is not the  
18      absolute best location for the Strawn nor the absolute best  
19      for the Morrow. Those two are in different spots.

20          But it's a compromise location that would be  
21      standard for the Strawn, would be acceptable for the Strawn  
22      according to the 3-D seismic, and still acceptable for the  
23      Morrow.

24           EXAMINER CATANACH: Okay, that's all I have.

25           EXAMINER BROOKS: Thank you very much.

1 THE WITNESS: Thank you.

2 MR. CARR: That concludes our presentation in  
3 this case.

4 EXAMINER BROOKS: Very good. Case Number 12,749  
5 will be taken under advisement.

6 (Thereupon, these proceedings were concluded at  
7 9:24 a.m.)

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ALL THE RECORDS OF THE PROCEEDINGS  
OF THE COURT OF THE DISTRICT OF COLUMBIA  
IN CASE NO. 12749  
WAS FILED  
Nov 1 2001  
David K. Brooks  
Clerk of the Court

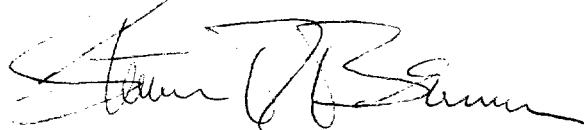
## CERTIFICATE OF REPORTER

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 November 2nd, 2001.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002