

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: )  
APPLICATION OF SEELY OIL COMPANY FOR )  
CONTRACTION OF THE UNITIZED FORMATION )  
IN THE E-K QUEEN UNIT, LEA COUNTY, )  
NEW MEXICO )

CASE NO. 12,891

JUL 30 4:12 PM  
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 11th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 11th, 2002, at the Aztec City Council Chamber, Aztec City Hall, 201 West Chaco, Aztec, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

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July 11th, 2002  
 Examiner Hearing  
 CASE NO. 12,891

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<u>C.W. STUMHOFFER</u> (Engineer)	
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\* \* \*

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

## FOR THE DIVISION:

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Assistant General Counsel  
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## FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:15 a.m.:

3           EXAMINER STOGNER: This hearing will come to  
4   order. Please let the record show we're in Aztec, New  
5   Mexico, at the Aztec City Council Chambers at Aztec City  
6   Hall, at 201 West Chaco, Aztec, New Mexico. Today's date  
7   is July 11th, 2002.

8           And with that I will at this time call Case  
9   12,891, which is the Application of Seely Oil Company for  
10   contraction of the unitized formation in the E-K Queen  
11   Unit, Lea County, New Mexico.

12          MR. CARR: Mr. Stogner, with your permission we'd  
13   request that the EOG case go first. We've got a travel  
14   plan that's sort a problem, and I have talked with Seely  
15   and they have no objection to reversing the order if that's  
16   all right with you.

17          EXAMINER STOGNER: Let's see, Mallon is also  
18   before that. Are you representing Mallon?

19          MR. CARR: Yes, I am. We don't have an objection  
20   to that.

21          EXAMINER STOGNER: Okay.

22          MR. BROOKS: Are you representing everybody this  
23   morning?

24          MR. CARR: I don't represent Richardson.

25          MR. BROOKS: Oh, okay.

1 EXAMINER STOGNER: But they follow those  
2 parties --

3 MR. CARR: Yes, sir, they do.

4 EXAMINER STOGNER: So Mr. Kellahin, even if he  
5 objected, it would be useless.

6 MR. CARR: I would resist.

7 EXAMINER STOGNER: Okay. Well, with that --

8 MR. KELLAHIN: I'm used to that, Mr. Stogner.

9 MR. BROOKS: Oh, I see Tom's back there. I  
10 thought he'd been hanged.

11 (Laughter)

12 MR. KELLAHIN: I tried to do it with my tie.

13 (Off the record at 8:21 a.m.)

14 (The following proceedings had at 8:53 a.m.)

15 EXAMINER STOGNER: At this time I will now call  
16 Case Number 12,891. That was the case I previously called,  
17 and then we shuffled the docket around a little bit. And  
18 this is the Application of Seely Oil Company for  
19 contraction of the unitized formation in the E-K Queen  
20 Unit, Lea County, New Mexico.

21 Call for appearances.

22 MR. CARR: May it please the Examiner, my name is  
23 William F. Carr with the Santa Fe office of Holland and  
24 Hart, L.L.P. We represent Seely Oil Company, and I have  
25 one witness.

1 EXAMINER STOGNER: Any other appearances in this  
2 matter?

3 Will the witness please stand to be sworn?

4 (Thereupon, the witness was sworn.)

5 C.W. STUMHOFFER,

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

8 DIRECT EXAMINATION

9 BY MR. CARR:

10 Q. Would you state your name for the record?

11 A. I'm C.W. Stumhoffer.

12 Q. Where do you reside?

13 A. Fort Worth, Texas.

14 Q. Mr. Stumhoffer, by whom are you employed?

15 A. Seely Oil Company.

16 Q. And what is your position with Seely?

17 A. I am a consulting petroleum engineer.

18 Q. Have you previously testified before the New

19 Mexico Oil Conservation Division?

20 A. Yes, I have.

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

24 A. Yes.

25 Q. Are you familiar with the Application filed in

1 this case?

2 A. Yes, I am.

3 Q. Are you familiar with the E-K Queen Unit,  
4 including the status of the lands in the unit area?

5 A. Yes.

6 MR. CARR: Are the witness's qualifications  
7 acceptable?

8 EXAMINER STOGNER: They are.

9 Q. (By Mr. Carr) Mr. Stumhoffer, would you briefly  
10 state what it is that Seely Oil Company seeks with this  
11 Application?

12 A. Seely Oil Company seeks to contract the vertical  
13 limits of the unitized formation under the E-K Queen Unit  
14 in the E-K Yates-Seven Rivers-Queen field in Lea County,  
15 New Mexico.

16 This unit was approved in June the 1st of 1965 by  
17 the OCD, Order Number R-2913, and in that order the  
18 unitized formation was from the top of the Queen formation  
19 down 300 feet.

20 Q. Would you refer to what has been marked Seely  
21 Exhibit Number 1, the type log --

22 A. Yes.

23 Q. -- and referring to that, explain to the Examiner  
24 -- one, review the formations and then explain why we're  
25 here today.

1           A.    The type log shows the overall Queen interval  
2 that's referred to a lot as the Queen sand, but in this  
3 case the Queen formation.  And the Queen formation consists  
4 of three distinctly separate reservoirs, and the top one is  
5 called the upper Queen pay, and the second one is the main  
6 Queen pay, which I've shown -- has been shown on the  
7 exhibit, and then that's referred to as the upper part of  
8 the Queen formation.  And about 250 feet below that, from  
9 the top of the upper Queen, is another pay zone called the  
10 Penrose sand.

11           Q.    And the purpose today is to contract the interval  
12 to exclude from the unit the lower Queen, the Penrose Sand;  
13 is that right?

14           A.    That's correct.

15           Q.    And the purpose of the unit, the E-K Queen Unit,  
16 then, is to implement a waterflood project?

17           A.    Yes, it very successfully waterflooded in the  
18 upper two pay zones.

19           Q.    Have any waterflood operations been conducted in  
20 the Penrose portion of the Queen?

21           A.    No, they have not.

22           Q.    Is the Penrose now productive in offsetting  
23 acreage?

24           A.    Yes, it is.  It was not included in the E-K Queen  
25 Unit.

1 Q. And does Seely anticipate implementing a  
2 waterflood project in the Penrose in the offsetting  
3 acreage?

4 A. Yes.

5 Q. To effectively waterflood, is it important to  
6 also include the lower Queen or the Penrose in the acreage  
7 that's currently under the E-K Queen?

8 A. Yes, it is, very much so.

9 Q. So what we're doing is, we're segregating or  
10 breaking out the lower portion of the current unit, an area  
11 that's never been utilized for waterflood operations, so it  
12 can be included in another lower Queen unit, and they would  
13 overlap --

14 A. That's correct, the --

15 Q. -- and so we're trying to avoid that?

16 A. That's correct. We have another exhibit to  
17 present showing --

18 Q. And so what we're doing is, we're having sort of  
19 a preliminary hearing that would be, if successful here, an  
20 application to form a waterflood in the Penrose?

21 A. That's right, that's correct.

22 Q. All right, let's go to Exhibit Number 2. Would  
23 you identify that, please?

24 A. Exhibit Number 2 is a copy of the unit agreement  
25 that was approved by the OCD June the 1st of 1965.

1 Q. And if we go to that unit agreement, Article 2  
2 defines the Queen sand or the formation which is included  
3 in this unit, does it not?

4 A. Yes.

5 Q. And it's from the top of the Queen and it extends  
6 down 300 feet?

7 A. That's correct.

8 Q. And that extension then extends down into the  
9 Penrose?

10 A. It takes in the Penrose, yes.

11 Q. Would you identify what has been marked Exhibit  
12 3?

13 A. Exhibit 3 is the proposed language we're  
14 proposing to use in the revised unitized formation.

15 Q. And the language that we're changing is in  
16 italics; is that right?

17 A. That's correct.

18 Q. And we now would like to amend the unit agreement  
19 to provide that it extend down from the top of the Queen a  
20 distance of 200 instead of 300 feet?

21 A. That's correct, and we also have shown that on  
22 the Exhibit Number 1.

23 Q. And that would exclude the lower Penrose?

24 A. That excludes the lower Penrose -- the Penrose,  
25 really.

1 Q. All right, let's go to Seely Oil Company Exhibit  
2 Number 4. Would you identify that for Mr. Stogner and  
3 review the information on the exhibit?

4 A. Exhibit Number 4 is a revised map that was in the  
5 original unit agreement. It's Exhibit A to the unit  
6 agreement but is a revision of it to show the current  
7 ownership and the present status of the wells.

8 And the acreage situation has not changed. The  
9 acreage in the E-K Queen Unit is still the same.

10 Q. And you've shown the federal, fee and the state  
11 leases in the unit area?

12 A. That's correct, there are 12 tracts, and the bulk  
13 of it was federal and one fee lease and the rest were  
14 state.

15 Q. Okay, let's go to Exhibit 5. What is this?

16 A. Exhibit Number 5 Is a map that we only show the  
17 wells that were tested or produced from the Penrose in the  
18 area that we're proposing to unitize for the Penrose  
19 waterflood.

20 And also on this map we've shown the extreme  
21 lower part of the E-K Queen Unit.

22 Q. That's the blue boundary?

23 A. The blue boundary. And on that part of the E-K  
24 Queen Unit there were four wells drilled to the Penrose and  
25 -- that were tested in the Penrose.

1           Two of the wells were perforated and tested, and  
2 they tested gas. Of course, there was no market for the  
3 gas at that time, and they were plugged off, and the wells  
4 were completed in the upper main Queen sands.

5           The other -- one of the wells was also tried --  
6 they tried to make a well in the Penrose, but the test was  
7 inconclusive. Apparently it was on the edge of the  
8 reservoir, but it was also plugged off.

9           The fourth well was completed originally in the  
10 Penrose sand. It was produced for one year and produced  
11 6721 barrels of oil from the Penrose, at which time it was  
12 plugged off and completed in the upper Queen. And it's  
13 never been gone back to, and it's still plugged off. The  
14 well was converted to water injection in the upper and main  
15 Queen sands, and the Penrose is still plugged off.

16           Q. And there's never been any waterflood effort in  
17 this lower Queen --

18           A. No.

19           Q. -- in this area?

20           A. No.

21           Q. Is Exhibit 6 a written summary of the geological  
22 presentation in this case?

23           A. Yes, it is.

24           Q. Let's talk about the ownership in the area.

25           Would you identify and review for Mr. Stogner what has been

1 marked Exhibit Number 7?

2 A. Exhibit Number 7 is a revised Exhibit B to the  
3 unit agreement showing the current ownership under the  
4 unit.

5 Q. And this has recently been revised and is current  
6 as of today?

7 A. That's correct.

8 Q. Have all of the interest owners in the E-K Queen  
9 Unit been contacted about this proposal?

10 A. Yes, they have.

11 Q. And have all agreed to contract?

12 A. They've all agreed to contract. We did not  
13 receive written approval from one small owner, but he's  
14 apparently unavailable. We've tried to contact him, we  
15 will not have any problem with getting that.

16 Q. And who is that?

17 A. Merlyn Dahlin.

18 Q. And Mr. Dahlin, in fact, is Mr. Seely's  
19 accountant; is that not --

20 A. He was, he's retired.

21 Q. And it's just a matter of reaching him, and --

22 A. That's right.

23 Q. -- you're confident you will have a waiver from  
24 him?

25 A. No question.

1 Q. And when we receive that, we will submit that to  
2 the Oil Conservation Division?

3 A. Yes.

4 Q. Has the proposal been reviewed with the  
5 Commissioner of Public Lands and the State Land Office?

6 A. Yes, it has.

7 Q. And would you identify Exhibit Number 8?

8 A. It is a letter from our attorney in Artesia who  
9 handles these matters for us. He is confirming his contact  
10 with the BLM and the Commissioner of Public Lands.

11 Q. This proposal has been discussed with Armando  
12 Lopez at the BLM; is that correct?

13 A. That's correct.

14 Q. And it's also been reviewed with Mr. Pete  
15 Martinez at the State Land Office?

16 A. Yes.

17 Q. And neither of them have indicated any problem  
18 with what we're attempting to do?

19 A. No problem.

20 Q. Is Exhibit Number 9 an affidavit confirming that  
21 notice of today's hearing has been provided in accordance  
22 with the Rules of the Division?

23 A. Yes, it is.

24 Q. Have all interest owners in the E-K Queen been  
25 notified of today's hearing?

1 A. Yes.

2 Q. And has the Land Office and BLM also been  
3 provided with notice?

4 A. Yes, they have.

5 Q. Is Exhibit Number 10 copies of the waiver letters  
6 that have been received?

7 A. Yes.

8 Q. And what is Exhibit Number 11?

9 A. It is a summary of the purpose for the  
10 Application to contract the vertical limits of the unitized  
11 formation on the E-K Queen Unit.

12 Q. If the Application today is granted, would, in  
13 fact, the acreage being contracted or eliminated from the  
14 Unit be a separate source of supply from the unitized  
15 interval?

16 A. Yes.

17 Q. And would the contraction of this area in any way  
18 impact or affect past or current operations of the E-K  
19 Queen Unit?

20 A. It will not, no.

21 Q. And if this Application is approved, would you  
22 then be able to go forward with the owners of what is the  
23 proposed Penrose Unit and put together an application to  
24 come back to the Division and seek approval of a waterflood  
25 project?

1           A.    Yes, we need to get this zone out from underneath  
2 the E-K Queen Unit in order to put the unit together.

3           Q.    And are you ready to go forward with this project  
4 just as soon as approval is obtained?

5           A.    Yes, we are.

6           Q.    In your opinion, would approval of this  
7 Application and the formation of the subsequent unit result  
8 in the recovery of reserves that otherwise will be wasted?

9           A.    Definitely.

10          Q.    Would the approval of the Application otherwise  
11 be in the best interest of conservation and the prevention  
12 of waste?

13          A.    Yes.

14          Q.    Were Exhibits 1 through 11 either prepared by  
15 you, or have you reviewed them and can you testify to their  
16 accuracy?

17          A.    They were prepared by me or under my supervision,  
18 yes, sir.

19               MR. CARR:  May it please the Examiner, at this  
20 time we would move the admission into evidence of Seely Oil  
21 Company Exhibits 1 through 11.

22               EXAMINER STOGNER:  Exhibits 1 through 11 will be  
23 admitted into evidence.

24               MR. CARR:  And that concludes my direct  
25 examination of Mr. Stumhoffer.

## EXAMINATION

1  
2 BY EXAMINER STOGNER:

3 Q. Mr. Stumhoffer, do you know when the E-K Queen  
4 Waterflood commenced out here? Did it commence shortly  
5 after the unitization in 1965?

6 A. Yes, I think right around the first of 1966.

7 Q. And who was the original operator and the  
8 originator of that waterflood?

9 A. Mobil Oil Corporation.

10 Q. Okay, when I refer to Exhibit Number 5, when I  
11 look south of your proposed Penrose -- call this the  
12 Penrose waterflood --

13 A. Yes.

14 Q. -- that you have marked in yellow --

15 A. Uh-huh. Well, that's -- Excuse me, go ahead.

16 Q. Okay. Now, I show in the unit area, the current  
17 unit area of the E-K Queen Unit, there are currently eight  
18 Penrose wells; is that correct?

19 A. The E-K Queen Unit is outlined -- This just shows  
20 the southern part of the E-K Queen Unit. It's outlined --  
21 It's shown in blue. Everything inside that blue area,  
22 including the yellow area, that's the area that's now under  
23 the E-K Queen Unit that we would like to put into the E-K  
24 Penrose Unit. But it is now a part -- the Penrose  
25 formation is now -- Penrose sand is now a part of the E-K

1 Queen Unit.

2 Q. Okay, but that southern part is not currently in  
3 the unit or under waterflood --

4 A. No.

5 Q. -- under any of the Queen zones?

6 A. No. These wells outside of the E-K Queen Unit  
7 area, everything outlined in brown, outside of the E-K  
8 Queen, is produced only from the Penrose sand.

9 Q. Was there -- Other than the one well, I believe  
10 that's the one marked in purple on this unit --

11 A. Yes.

12 Q. -- the Number 9, there were never any other  
13 Penrose completions in the remainder of the unit?

14 A. None.

15 Q. None. Were the completions in the Queen unit and  
16 waterflood project, were they cased hole or any of them  
17 open hole?

18 A. There were some of each.

19 Q. Okay, but the open holes, they did not penetrate  
20 or go past those two upper producing intervals?

21 A. That's correct.

22 Q. From what records we have, there were enough  
23 indications to the operators who were drilling in there  
24 that the Penrose was not productive north of that -- if you  
25 -- the line, those two wells that tested gas, there was no

1 productive Penrose sand above that, to the north of that.

2 Q. Okay. Now, I'm going to refer to this yellow  
3 area as sort of the overlap area --

4 A. All right.

5 Q. -- that we're interested in. Now, are any of  
6 those open holes, that you know? Open-hole completions?

7 A. No. Those four wells there were plugged off.  
8 They were perforated completions, all four of them.

9 Q. Now, if I refer to Exhibit Number 4 there appear  
10 to be some other wells indicated here that aren't on your  
11 Exhibit Number 5 in this overlap area, and I'm referring to  
12 the one in the northeast of the southwest, and if I look in  
13 Exhibit Number 4 it's marked as 021.

14 A. Northeast of the southwest, zero --

15 Q. Of 19.

16 A. Oh, 19.

17 Q. Yes, sir.

18 A. That is an upper -- That is a main Queen sand  
19 producing well, and it has been in the waterflood, and it  
20 was never drilled to the Penrose. It is an open-hole  
21 completion, but it was not drilled to the Penrose, it did  
22 not penetrate the Penrose.

23 Q. Okay, these type of wells that were completed  
24 with the open hole, where did they stop past that main  
25 Queen pay?

1           A.    Oh, probably just 10 to 15, 20 feet below where  
2 they encountered oil.

3           Q.    Okay.  Now, the proposed Penrose waterflood that  
4 you're looking at instituting, how will those wells be  
5 completed?  Will they be fractured or stimulated in any  
6 way?

7           A.    The new wells will be perforated and fracture-  
8 treated.  I think every well in there that we're planning  
9 to utilize is a perforated completion.

10          Q.    Okay.  Is there any chance, when these Penrose  
11 wells are completed and fractured, of vertical movement of  
12 the fracture into that main Queen pay?

13          A.    There is no main Queen pay in the area where the  
14 Penrose is productive.

15          Q.    Well, then, if I refer to -- Okay, I guess I'm a  
16 little confused again now.  Now, when I review Exhibit  
17 Number 14 [sic], that well in the northwest of the --

18          A.    Wait a minute, now, 14 --

19          Q.    -- southwest -- yeah, that Number 21, you just --  
20 I thought you told me --

21               MR. CARR:  Mr. Stogner --

22               EXAMINER STOGNER:  -- that was a main Queen pay  
23 producer.

24               MR. CARR:  -- which exhibit?

25               EXAMINER STOGNER:  Okay, we're looking at Exhibit

1 Number 4.

2 THE WITNESS: Four.

3 EXAMINER BROOKS: Oh, 4.

4 THE WITNESS: The 021?

5 Q. (By Examiner Stogner) Yes.

6 A. That is a main Queen producing well, has been  
7 since it was drilled and completed in the 1950s when the  
8 well was originally drilled.

9 Q. Okay. Now, that area is in the overlap area that  
10 you're planning your Penrose waterflood project; is that  
11 correct?

12 A. That's right.

13 Q. Okay. My question is -- and I'm trying to  
14 protect or see that there's not any communication between  
15 the main Queen and your Penrose, so there is a main Queen  
16 producer within this overlap area?

17 A. Well, the way we propose it, it would stay in the  
18 E-K Queen Unit as a main Queen producing well.

19 Q. I understand that, Mr. Stumhoffer. Whenever you  
20 complete these Penrose and you start fracturing, how are  
21 you going to keep that fracture from going into the main  
22 Queen pay?

23 A. This well did not -- That well you're talking  
24 about did not penetrate the Penrose.

25 EXAMINER STOGNER: Do you want to try this, Mr.

1 Carr?

2 MR. CARR: Yeah. Mr. Stumhoffer, when you go out  
3 and fracture a new well --

4 THE WITNESS: Yes.

5 MR. CARR: -- in the new Penrose Unit, will you  
6 be able to control that fracture stimulation so that new  
7 well's fracture doesn't communicate the Penrose with the  
8 main Queen? We're talking about new drills, or new --  
9 additional wells.

10 THE WITNESS: Yes. I wouldn't -- Yes, it would  
11 be confined to the Penrose sand. You've got impermeable  
12 barriers that confine -- These are three distinctly  
13 separate reservoirs. The Penrose is completely isolated  
14 from the main Queen and upper Queen.

15 MR. CARR: And so although the Number 21 well,  
16 the one that Mr. Stogner has been asking you about --

17 THE WITNESS: Uh-huh.

18 MR. CARR: -- is in the upper Queen pay and is  
19 producing from that interval, that interval being present  
20 there --

21 THE WITNESS: Right.

22 MR. CARR: -- the work that you would be doing in  
23 the Penrose, you can control the fractures; and also  
24 because of the nature of the formation, that fracture will  
25 not communicate the Penrose with the main Queen pay?

1 THE WITNESS: We've fracture-treated the Penrose  
2 and we have not had any communication to the upper Queen.

3 Q. (By Examiner Stogner) Okay, what prevents that  
4 communication from occurring?

5 A. The impermeable barriers above the -- that lie  
6 between the upper Queen and the Penrose sand.

7 Q. Okay, what is that impermeable layer consistent  
8 of?

9 A. Anhydrite, silty red impermeable sand. I mean,  
10 mainly anhydrite.

11 Q. Okay. Now, there are some water-injection wells  
12 in the main Queen currently in this overlap area, and I'm  
13 referring now, it looks like in the northeast corner of the  
14 southeast corner of Section 24, a well marked 611.

15 A. That's correct.

16 Q. Okay, is that a completion that is cased, or is  
17 that an open-hole injector?

18 A. That is a cased hole, and it is completed in the  
19 main Queen --

20 Q. Okay.

21 A. -- as a water-injection well. That well did not  
22 penetrate to the Penrose sand.

23 Q. Okay, and if I drop down about a quarter of a  
24 mile to the south southwest, there's another water  
25 injection well marked Number 27, and is that well an open

1 hole or a cased completion?

2 A. It is a cased completion that was tested when the  
3 well was drilled in the 1950s. It was a dry hole, and all  
4 the zones were dry. And there was an indication of  
5 possible productive -- based on core analysis -- When they  
6 re-entered that well in 1965 they went to the Penrose and  
7 tested it, and it made -- it tested gas, and it was not --  
8 at that time there was no market for gas, and it was  
9 plugged off, and the well was completed as a water-  
10 injection well in the upper and -- mainly the main Queen  
11 sand.

12 The Penrose has been plugged off in that well,  
13 and it's a perforated completion, but it is plugged off.

14 Q. Okay. Now, from the Number 27 I go about a half  
15 a mile to the northwest, there's a well that's marked 26,  
16 026. That's a water injection. Is that an open-hole or  
17 cased completion?

18 A. It's a cased completion.

19 Q. Okay.

20 A. And the Penrose was not penetrated in it.

21 Q. On your proposed E-K Penrose Unit, how far along  
22 are you in the unitization process with the BLM?

23 A. We have not had a meeting with the BLM yet. We  
24 have had to do some drilling in the area, trying to define  
25 the extent of the Penrose reservoir, and that's what we've

1 been doing, and now we've reached a point where we need to  
2 go ahead and proceed with the unit so we can justify doing  
3 -- the Penrose does not support itself economically to do  
4 it strictly for primary production. We have to do it in  
5 conjunction with primary and secondary operation.

6 Q. Now, this proposed E-K Penrose Unit area, is that  
7 100-percent federal acreage?

8 A. No, it's all federal except two fee leases in  
9 Section 20.

10 Q. Section 20. So that would be the -- in fact,  
11 they're marked, and I'm referring to Exhibit Number 5. If  
12 I look at Section 20, the portion that's marked with the  
13 brown, you have a Concho Oil and Gas Corp., that's a single  
14 fee lease?

15 A. That's a fee lease, yes.

16 Q. And then the Seely Oil Co. Scharbauer?

17 A. Scharbauer.

18 Q. That would be a separate lease?

19 A. That's a fee lease also.

20 Q. I'm sorry, a fee lease.

21 A. Uh-huh.

22 Q. And that's Scharbauer, you say?

23 A. Scharbauer.

24 Q. Scharbauer.

25 EXAMINER BROOKS: Scarborough is the way they

1 pronounce it. It's not spelled the way anybody else would  
2 spell Scarborough.

3 EXAMINER STOGNER: And that is spelled  
4 S-c-h-a-r-b-a-u-e-r, okay.

5 Any other questions of this witness?

6 MR. CARR: No further questions.

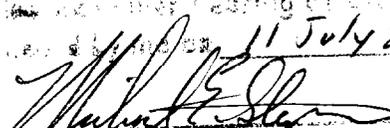
7 EXAMINER STOGNER: You may be excused, Mr.  
8 Stumhoffer.

9 MR. CARR: That concludes our presentation in  
10 this case.

11 EXAMINER STOGNER: Anybody else have anything  
12 further in Case Number 12,891? If not, then this matter  
13 will be taken under advisement.

14 (Thereupon, these proceedings were concluded at  
15 9:22 a.m.)

16 \* \* \*

17  
18 I do hereby certify that the foregoing is  
19 a complete record of the proceedings in  
20 the above-captioned hearing of Case No. 12891  
21 dated and held at 11 July 2002  
22   
23 Off. Conservation Director

24  
25

## 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 July 26th, 2002.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002

## 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. 12,891  
 )  
 APPLICATION OF SEELY OIL COMPANY FOR )  
 CONTRACTION OF THE UNITIZED FORMATION )  
 IN THE E-K QUEEN UNIT, LEA COUNTY, )  
 NEW MEXICO )

OFFICIAL EXHIBIT FILEEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 11th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 11th, 2002, at the Aztec City Council Chamber, Aztec City Hall, 201 West Chaco, Aztec, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*