

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. 12,900
)
APPLICATION OF NEARBURG EXPLORATION)
COMPANY, LLC, FOR COMPULSORY POOLING,)
DIRECTIONAL DRILLING AND AN UNORTHODOX)
WELL LOCATION, LEA COUNTY, NEW MEXICO)
_____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

August 1st, 2002

AUG 1 2002

Santa Fe, New Mexico

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, August 1st, 2002, 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

August 1st, 2002
 Examiner Hearing
 CASE NO. 12,900

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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:

BRETT BRACKEN
Hanley Petroleum
Midland, Texas

* * *

1 WHEREUPON, the following proceedings were had at
2 8:49 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 12,900, the Application of Nearburg Exploration Company,
5 LLC, for compulsory pooling, directional drilling and an
6 unorthodox well location, Lea County, New Mexico.

7 Call for appearances in this case.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe office of Holland and
10 Hart, L.L.P. We represent Nearburg Exploration Company in
11 this matter, and I have two witnesses.

12 EXAMINER CATANACH: Any other appearances?
13 Will the two witnesses please stand to be sworn
14 in?

15 Oh, I'm sorry?

16 MR. BRACKEN: I'm Brett Bracken with Hanley
17 Petroleum in Midland, Texas. I'd just like to be
18 recognized as a party of record.

19 EXAMINER CATANACH: Could you spell your last
20 name for me, please?

21 MR. BRACKEN: B-r-a-c-k-e-n.

22 EXAMINER CATANACH: And you're with who?

23 MR. BRACKEN: Hanley Petroleum.

24 EXAMINER CATANACH: Hanley Petroleum. Are you
25 going to testify or --

1 MR. BRACKEN: No, sir.

2 EXAMINER CATANACH: -- are you going to ask any
3 questions?

4 MR. BRACKEN: No, sir.

5 EXAMINER CATANACH: Okay.

6 (Thereupon, the witnesses were sworn.)

7 MR. CARR: May it please the Examiner, at this
8 time we call Bob Shelton.

9 ROBERT G. SHELTON,

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

12 DIRECT EXAMINATION

13 BY MR. CARR:

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

15 A. Robert G. Shelton.

16 Q. Mr. Shelton, where do you reside?

17 A. In Midland, Texas.

18 Q. By whom are you employed?

19 A. Nearburg Producing Company.

20 Q. And what is your position with Nearburg?

21 A. I'm land manager.

22 Q. Have you previously testified before this
23 Division?

24 A. Yes, sir, I have.

25 Q. At the time of that testimony, were your

1 credentials as an expert in petroleum land matters accepted
2 and made a matter of record?

3 A. Yes, sir, they were.

4 Q. Are you familiar with the Application filed in
5 this case?

6 A. Yes, sir.

7 Q. Are you familiar with the status of the lands in
8 the area which is the subject of the Application?

9 A. Yes, sir.

10 MR. CARR: Mr. Catanach, at this time we tender
11 Mr. Shelton as an expert witness in petroleum land matters.

12 EXAMINER CATANACH: Mr. Shelton is so qualified.

13 Q. (By Mr. Carr) Would you briefly summarize for
14 Mr. Catanach what it is that Nearburg seeks with this
15 Application?

16 A. We seek the pooling of an 80-acre tract, the
17 south half, southwest quarter of Section 10, Township 17
18 South, Range 37 East, Lea County, New Mexico, for the
19 drilling of a directional or deviated Strawn test well,
20 deviated from an existing wellbore to a bottomhole
21 location, which will be shown by Mr. Durham as the location
22 for a Strawn test.

23 Q. This location falls between the Shipp-Strawn Pool
24 and the Humble City-Strawn Pool; is that correct?

25 A. That's correct.

1 Q. What are the spacing rules that govern the
2 development of this acreage?

3 A. Spacing for both those pools, regardless of
4 which, is 80-acre spacing and 150-foot setbacks from the
5 center of the quarter-quarter section.

6 MR. CARR: And Mr. Catanach, the pool rules for
7 the Shipp-Strawn were promulgated by Order Number R-8062-A,
8 and for the Humble City-Strawn Pool Order Number R-4338.

9 EXAMINER CATANACH: Thank you, Mr. Carr.

10 Q. (By Mr. Carr) Mr. Shelton, let's go to what has
11 been marked Nearburg Exhibit Number 1. Would you identify
12 that and review it?

13 A. This is a land plat that's just for a locator or
14 reference plat that shows the 80-acre tract, again the
15 south half, southwest quarter of Section 10, and it shows
16 its location from the town of Humble City and gives kind of
17 just a reference point of where it's located.

18 Q. Are we talking about state, federal or fee lands?

19 A. This is fee land.

20 Q. And the primary objective in the well is what
21 formation?

22 A. The Strawn formation.

23 Q. Are there any secondary objectives in this well?

24 A. No, there's not, there's some Bone Springs
25 production around it, and Terry will address this. There's

1 several dry holes encompassing our location, and the Bone
2 Springs is not expected to be a productive formation.

3 Q. Let's go to what has been marked for
4 identification as Nearburg Exhibit 2. Would you identify
5 and review that, please?

6 A. This is an ownership map based on both a title
7 opinion prepared by Mr. Randy Turner and an ownership
8 report that's been prepared by a broker in the field. It
9 shows the entire yellow box is the southwest quarter of
10 Section 10.

11 I've shown that because it illustrates that
12 encompassed within the south half of the southwest quarter,
13 which is inside the red outline, there are to be included
14 three separate tracts of land:

15 One tract that covers the east half, southwest
16 quarter;

17 One tract that covers the north, a portion of the
18 south 10 acres of the north, 50 acres of the west 80 acres
19 of the southwest quarter will be in the unit;

20 And then the south 30 acres of the west 80 acres
21 of the southwest quarter would also be in the 80-acre unit.

22 So there's three tracts involved in this spacing
23 unit.

24 Q. Section 10 is a standard section, is it not?

25 A. That is correct.

1 Q. And this yellow area should be a square,
2 actually?

3 A. Actually, it should be, Mr. Carr.

4 Q. What percentage of the working interest is
5 voluntarily committed to the well at this time?

6 A. Voluntarily committed to the well right now is
7 56.25 percent. We have approvals and AFEs signed by --
8 Obviously Nearburg reported 6 percent, David Petroleum and
9 Colin McMillan -- Colin McMillan now, that interest is
10 owned by McMillan Production Company.

11 Q. And you have been in contact with the other
12 interest owners identified on Exhibit 2?

13 A. Yes, we have. We've got some commitments from a
14 few of the people who have not signed AFEs but who have
15 signed agreements to make an election to either participate
16 or grant us some form of terms assignments, based on their
17 review of our geophysical and geological information, which
18 has occurred in two cases in this.

19 Q. Would you summarize the efforts you've made to
20 obtain the voluntary participation of all the working
21 interest owners in the proposed spacing unit?

22 A. I think the best way to do that is to go to
23 Exhibit 3, and if we can go to that and if you would look
24 at the back -- the final typed document in that exhibit,
25 which is a chronology of all the contacts that we have had

1 with each of these owners, you can see that we've made
2 contacts with Conoco, I guess we've made seven contacts
3 with them at various times. The status of the Conoco
4 interest right now is, they have executed a letter
5 agreement that provides for them to make an election by
6 August 8th to either participate in the well or grant us a
7 term assignment on their interest.

8 With Chesapeake we have negotiated with them on
9 several occasions. We have not reached any agreement with
10 them, we do not have any agreement.

11 Petrovaughn is another company that we have not
12 reached an agreement with, but we've made several contacts.

13 Republic Royalty we have not reached an agreement
14 with. They are a company that owns a mineral interest in
15 there, as Petrovaughn does, and if we can't get a lease
16 from them they would be subject to the pooling order.

17 David Petroleum is listed here. However, they
18 have now signed the AFE and committed to the well.

19 Hanley Petroleum has executed a letter agreement,
20 and we have given them our geologic presentation, and they
21 are also committed to make an election to either
22 participate in the well or grant a term assignment to
23 Nearburg Exploration Company.

24 Q. And then the remaining documents in Exhibit 3 are
25 letters and various correspondence with these interest

1 owners, trying to obtain voluntary joinder?

2 A. Yes, they go back all the way. There's one
3 letter in here that's February 5th, 2002, to Hanley
4 Petroleum. So we've been in contact with these people for
5 a good bit of time trying to get this put together.

6 Q. And the first well proposal was actually May the
7 29th?

8 A. That's correct, the well proposal with the AFE
9 was sent out to everybody on May 29th.

10 Q. In your opinion, have you made a good-faith
11 effort to locate and obtain the voluntary participation of
12 all interest owners in the subject spacing unit?

13 A. Yes, sir, I believe we have.

14 Q. Let's go to Nearburg Exhibit Number 4. Would you
15 identify and review that, please?

16 A. Exhibit Number 4 is the AFE for the well proposal
17 which sets forth a surface hole location of 990 feet from
18 the south line and 330 feet from the west line, which is
19 the Hanley Shipp well that we plan to re-enter.

20 It shows a bottomhole location of 860 feet from
21 the south line, 1400 feet from the west line, and it is a
22 Strawn test AFE at 11,500 feet.

23 Q. And what is the completed well cost?

24 A. Completed well cost is \$842,905. And by using
25 this wellbore rather than drilling a new well, we estimate

1 to save \$209,000.

2 Q. And the risk is going to be reviewed by our next
3 witness; is that correct?

4 A. That is correct.

5 Q. But when you factor the risk into this proposal,
6 being able to use the existing wellbore, in fact, make it
7 economically attractive; is that right?

8 A. It does. As will be demonstrated by Mr. Durham,
9 this is a very small algal mound, and we feel like
10 volumetrically we can put only about 85,000 to 100,000
11 barrels in it. And because of that, we need the economics
12 that it gives us for a re-entry and directional drilling.

13 Q. Is Nearburg Exhibit Number 5 the accounting
14 procedure for joint operations which is part of the joint
15 operating agreement for the proposed well?

16 A. It is, this operating agreement has been sent to
17 Hanley and to Conoco and will be used with anybody else
18 that chooses to voluntarily participate.

19 Q. Do these COPAS accounting procedures provide for
20 the periodic adjustment of overhead and administrative
21 costs?

22 A. Yes, sir.

23 Q. Does Nearburg request that the overhead and
24 administrative costs set by the order that will be entered
25 in this case also provide for adjustment in accordance with

1 these COPAS procedures?

2 A. Yes, sir, we do.

3 Q. Is Exhibit Number 6 an affidavit confirming that
4 notice of this hearing has been provided to all interest
5 owners who will be subject to pooling?

6 A. Yes, it is, and it is correct.

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

10 A. Yes, we have, and in the operating agreement
11 they're set forth as \$6000 for drilling and \$600 for
12 producing.

13 Q. And how do these compare to the most recent Ernst
14 and Young figures for wells at this depth?

15 A. For wells at this depth they are the recommended
16 figures.

17 Q. The median figures?

18 A. Yes, the median figures.

19 Q. Do you recommend that these figures be
20 incorporated into any order which results from this
21 hearing?

22 A. Yes, sir, I do.

23 Q. Does Nearburg Producing Company seek to be
24 designated operator of the well?

25 A. Yes, sir, we do, Nearburg Producing Company.

1 Q. Were Exhibits 1 through 6 prepared by you or
2 compiled under your direction?

3 A. Yes, sir, they were.

4 MR. CARR: We move the admission into evidence of
5 Nearburg Exhibits 1 through 6.

6 EXAMINER CATANACH: Exhibits 1 through 6 will be
7 admitted.

8 MR. CARR: And that concludes my direct
9 examination of Mr. Shelton.

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Shelton, on your chronology that you set
13 forth in Exhibit Number 3 --

14 A. Yes, sir.

15 Q. -- for Hanley Petroleum it states that you will
16 make a presentation to Hanley. Has that been done?

17 A. Yes, sir, it was done on the 30th, it was done
18 yesterday -- day before yesterday, excuse me.

19 Q. Okay, so they're committed to sign a -- what is
20 an L/A, just a letter --

21 A. A letter agreement.

22 Q. Okay.

23 A. They're committed by that letter agreement to
24 either participate in the well by signing the AFE or
25 committed to give us a term assignment of their interest on

1 -- well, I don't remember what the terms were, pre-defined
2 terms.

3 Q. Okay. Do you anticipate any other of these
4 interest owners voluntarily committing to the well?

5 A. I do not -- Conoco actually could choose to
6 participate in the well. They're under an election period
7 of August 8th. Honestly, I don't believe they will, I
8 believe they'll agree to give us a term assignment under
9 their letter agreement also. The rest of them I do not
10 believe will voluntarily commit.

11 The remaining parties would be Chesapeake,
12 Petrovaughn and Republic Royalty.

13 Q. Okay. Now, as far as the drilling costs for this
14 well, \$842,905, those are the actual drilling costs; is
15 that correct?

16 A. Those are the actual drilling costs for the re-
17 entry and deviated wellbore, yes, sir.

18 Q. And you're not charging any interest owner for
19 the value of the existing wellbore --

20 A. No, sir.

21 Q. -- at all?

22 A. No, we're not. No, there is no -- They have
23 their proportionate rights to that wellbore, as we do by
24 virtue of our ownership.

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

1 THE WITNESS: Thank you.

2 MR. CARR: Mr. Catanach, at this time we call
3 Terry Durham.

4 TERRY E. DURHAM,

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

7 DIRECT EXAMINATION

8 BY MR. CARR:

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

10 A. Terry Eugene Durham.

11 Q. And where do you reside?

12 A. I live in Plano, Texas.

13 Q. By whom are you employed?

14 A. Nearburg Producing Company.

15 Q. And what is your position with Nearburg Producing
16 Company?

17 A. I'm the staff geophysicist.

18 Q. Mr. Durham, have you previously testified before
19 the New Mexico Oil Conservation Division?

20 A. Yes, I have.

21 Q. At the time of that testimony, were your
22 credentials as a geophysicist accepted and made a matter of
23 record?

24 A. Yes, they were.

25 Q. Are you familiar with the Application that has

1 been filed in this case on behalf of Nearburg?

2 A. Yes, I am.

3 Q. Have you made a geological/geophysical study of
4 the area which is the subject of the Application?

5 A. Yes, I have.

6 Q. And are you prepared to share the results of that
7 work with the Examiner?

8 A. I am.

9 MR. CARR: We tender Mr. Durham as an expert
10 geophysicist.

11 EXAMINER CATANACH: He is so qualified.

12 Q. (By Mr. Carr) You have prepared two exhibits for
13 presentation here today, have you not?

14 A. Yes, I've prepared Exhibits 7 and 8.

15 Q. Let's go to Exhibit 7. I'd ask you to identify
16 that first and then explain the information on that exhibit
17 for Mr. Catanach.

18 A. This is a Strawn algal mound gross isopach map
19 that's been prepared from a composite of subsurface data
20 and 3-D seismic data in this immediate area. Strawn
21 producers are shown by a magenta-colored hexagon, off to
22 the right of the map, and some of those top there are
23 showing -- they indicate the thickness of the pay section
24 from subsurface data.

25 The green-colored area, hatched green -- the

1 Voyager prospect acreage is shown in green in the southwest
2 corner of Section 10 and our proration unit, in the south
3 half of the southwest of 10, is shown in the red outline.

4 And you'll also note the location of the three
5 dry holes in the southwest of Section 10.

6 The Texas International Nicholson Number 3 in the
7 southeast of the southwest was drilled at a standard
8 location, and it's a dry hole.

9 The Hanley Shipp Number 1 well, which we propose
10 to re-enter, is in the southwest of the southwest of
11 Section 10, also a dry hole.

12 And in the north half of the southwest of Section
13 10, the Collins and Ware Scarborough, also a dry hole in
14 the Strawn.

15 The colored area which I've shown in brown and
16 kind of a flesh color indicates projected isopach values
17 that I've calculated from seismic data and surrounding
18 wellbore data, estimates made from time values and
19 converting interval velocities to isopach values. I'm
20 projecting an estimate of approximately 80 feet of pay at
21 the proposed location of the bottomhole.

22 This map basically shows the risk involved with
23 drilling these Strawn wells. They are finite in nature,
24 and you have to have them quite properly located to be able
25 to have a successful well.

1 Q. So what we have in the southwest quarter of this
2 section is three dry holes in the Strawn surrounding the
3 prospect?

4 A. That's correct.

5 Q. On this exhibit you've shown actually the
6 directional line for the wellbore from the Hanley Shipp
7 Number 1 to the proposed target location in the center of
8 the feature?

9 A. Yes, that's correct.

10 Q. And then there's a blue line, and that line is a
11 trace for an arbitrary seismic line, is it not?

12 A. Yes, that's a trace for Exhibit Number 8.

13 Q. Let's go to Exhibit Number 8, and I'd ask you to
14 review that information for Mr. Catanach.

15 A. Exhibit Number 8 is an arbitrary seismic line
16 from a 3-D data set in this area. It passes through the
17 two dry holes immediately west of our proposed location and
18 the Texas Nicholson dry hole immediately to the southeast.

19 On the seismic display, the red annotation
20 indicates the top of the Strawn formation, which is the
21 producing formation. The yellow color indicates the top of
22 the Atoka shale, which is basically the base of the Strawn
23 carbonate formation.

24 I'll point out the New Mexico "FF" well, which is
25 in Section 9, immediately west of the Shipp well, the

1 Hanley Shipp well which we propose to re-enter. Those are
2 both shown by a blue-colored wellbore on this display.

3 And if you'll notice off to the right side of the
4 display, there's a dashed blue line for the Nicholson 3 dry
5 hole. All three of these dry holes show the Strawn
6 reflection as a very strong peak with no associated
7 character change.

8 You'll notice in the center of the display, the
9 Voyager Shipp 10-1-Y is the wellbore path for our proposed
10 directional well, and we're proposing the bottomhole
11 location to be approximately at 1000 feet to the east
12 southeast of the Hanley Shipp Number 1.

13 You'll notice that this wellbore path will
14 penetrate the Strawn basically in the center of this mound-
15 shaped feature where the top of the Strawn reflection is
16 very attenuated. This attenuation is a typical indicator
17 of porosity in this play, and by placing this in the center
18 of this maximum attenuation, we hope to increase the
19 possibility of a successful well here.

20 I feel if we deviate either to the east or west
21 of this location, we run the risk of having a dry hole.

22 Q. Are you prepared to make a recommendation to the
23 Examiner as to the risk penalty that should be assessed
24 against any interest not voluntarily committed to the well?

25 A. Yes, I am.

1 Q. And what is that?

2 A. I recommend a maximum of 200 percent penalty.

3 Q. And just very briefly, summarize the basis for
4 the recommendation.

5 A. The basis for the recommendation is that these
6 are very finite, narrow anomalies. You have to drill
7 discretely in the anomaly. If you don't, you run the risk
8 of drilling a dry hole.

9 Q. In your opinion, is there a chance you could
10 drill a well at this location that would not be a
11 commercial success?

12 A. There is a chance that we could, yes, drill a dry
13 hole.

14 Q. Would the approval of this Application and the
15 drilling of this well be in the best interest of
16 conservation, the prevention of waste and the protection of
17 correlative rights?

18 A. Yes, it will.

19 Q. And how soon does Nearburg anticipate commencing
20 the re-entry?

21 A. Within 90 days.

22 Q. Were Exhibits 7 and 8 prepared by you?

23 A. Yes, they were.

24 MR. CARR: Mr. Catanach, at this time I move the
25 admission into evidence of Nearburg Exhibits 7 and 8.

1 EXAMINER CATANACH: Exhibits 7 and 8 will be
2 admitted.

3 MR. CARR: That concludes my examination of Mr.
4 Durham.

5 EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Mr. Durham, the three dry holes that were drilled
8 around this structure, were those drilled some time back
9 or --

10 A. Yes, the Texas International Nicholson Number 3,
11 immediately east of our proposed bottomhole location, was
12 drilled in 1974. I don't remember the exact dates. I
13 believe the Hanley Shipp was drilled in 1981, and the
14 Collins and Ware well to the north I believe was drilled in
15 1982, but I'm not positive on that.

16 Q. Okay. So I assume they didn't have the data that
17 you're utilizing now?

18 A. That's correct, those wells were all drilled
19 before 3-D seismic technology was fully developed for
20 industry use.

21 Q. Has Nearburg used this 3-D seismic in this area
22 to identify these structures?

23 A. Yes, we have. We've drilled nine different wells
24 using seismic, 3-D seismic.

25 Q. How successful have they been?

1 A. We've had a 75-percent success rate.

2 Q. Now, you've got mapped the -- Is this a gross
3 pay, or is this something else? Or that's just a gross
4 thickness of the structure?

5 A. It's my interpretation of the gross thickness of
6 the algal mound, which is the pay section.

7 Q. Okay. Now, the 3-D seismic doesn't tell you
8 anything about the properties of that pay section, does it?
9 I mean, it doesn't tell you about the porosity?

10 A. Indirectly, it does, because we have amplitude
11 attenuation and the reflection, that is telling me that
12 there is some porosity present. And then if you'll notice,
13 it does appear to be a rollover or a mound buildup. By
14 calculating the time difference between the top of the
15 strawn and the base of the Strawn, I can calculate -- get
16 some estimates of how thick that pay section is, by
17 converting those times, using a velocity at two depths.

18 Q. Okay.

19 A. So indirectly, yes, I can get some good estimates
20 of how thick this mound is.

21 Q. And you assume it has porosity and therefore
22 potentially productive?

23 A. Yes.

24 Q. Because a lot of these mounds -- aren't a lot of
25 these -- they're present, but they're tight, they don't

1 have porosity?

2 A. You do find that on occasion. That's somewhat
3 rare.

4 Q. Okay, besides the one seismic line you've
5 identified, do you have more seismic data within this
6 quarter section?

7 A. Yes, I do.

8 Q. Is that what enables you to extend that structure
9 into the north half of that southwest quarter?

10 A. Yes, it is, uh-huh.

11 Q. Okay, is that north half, I assume, potentially
12 productive as well?

13 A. The north half -- standard location, the north
14 half, would not test the mound because of its limited
15 nature. So standard drilling locations in the north half
16 of the southwest are not potential locations.

17 Q. Possible unorthodox location may be productive?

18 A. Well, given the small nature of this mound, one
19 well would fully drain this feature.

20 Q. Okay, and I just want to verify, your bottomhole
21 location is 860 from the south and 1400 feet from the west;
22 is that correct?

23 A. Yes, that's correct.

24 Q. Okay, as far as the directional drilling part, do
25 you anticipate getting very close to that location? Or I

1 guess you're not -- you're probably not the drilling
2 engineer.

3 A. I'm not a drilling engineer, but he claims he can
4 do very good at that.

5 EXAMINER CATANACH: Okay. We usually have a
6 target that we -- or give you some flexibility on how much,
7 say 50 feet or something. I'll work that out somehow.

8 I don't have anything further, Mr. Carr. Do you
9 have anything?

10 MR. CARR: That concludes our presentation in
11 this matter.

12 EXAMINER CATANACH: Okay, there being nothing
13 further, Case 12,900 will be taken under advisement.

14 (Thereupon, these proceedings were concluded at
15 9:17 a.m.)

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Oil Conservation Division
August 1
12900
-2000
David K. Catanach

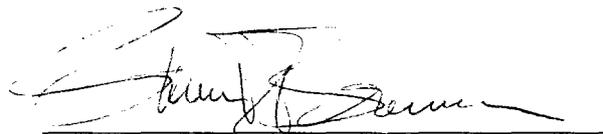
CERTIFICATE OF REPORTER

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 August 2nd, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002