

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. 12,924

APPLICATION OF EOG RESOURCES, INC.,)
FOR COMPULSORY POOLING, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

September 19th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, September 19th, 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

OCT-3 6:18:11
OIL CONSERVATION DIV

I N D E X

September 19th, 2002
 Examiner Hearing
 CASE NO. 12,924

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>PATRICK J. TOWER</u> (Landman)	
Direct Examination by Mr. Carr	5
Examination by Examiner Brooks	13
Examination by Examiner Stogner	15
<u>DAVID A. GODSEY</u> (Geologist)	
Direct Examination by Mr. Carr	18
REPORTER'S CERTIFICATE	27

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	13
Exhibit 2	8	13
Exhibit 3	10	13
Exhibit 4	11	13
Exhibit 5	12	13
Exhibit 6	13	13
Exhibit 7	19	25
Exhibit 8	21	25
Exhibit 9	22	25
Exhibit 10	22	25

* * *

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:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

WILLIAM B. OWEN
Landman, David Petroleum

* * *

1 WHEREUPON, the following proceedings were had at
2 8:58 a.m.:

3
4
5 EXAMINER BROOKS: Call Case Number 12,924,
6 Application of EOG Resources, Inc., for compulsory pooling,
7 Lea County, New Mexico.

8 Call for appearances.

9 MR. CARR: May it please the Examiner, my name is
10 William F. Carr. I'm with the Santa Fe office of Holland
11 and Hart, L.L.P.

12 We represent EOG Resources, and I have two
13 witnesses.

14 EXAMINER BROOKS: Any other appearances?

15 MR. OWEN: Sir, I'm Bill Owen, I'm with David
16 Petroleum, and I think with Mr. Tower's testimony, you will
17 understand why I'm here, basically representing the David
18 and Yates group relative to this particular case.

19 EXAMINER BROOKS: Very good. Do you have any
20 witnesses?

21 MR. OWEN: No, sir.

22 EXAMINER BROOKS: Will the witnesses please stand
23 to be sworn?

24 (Thereupon, the witnesses were sworn.)

25 EXAMINER BROOKS: You may proceed, Mr. Carr.

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

PATRICK J. TOWER,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A. Patrick J. Tower.

Q. Mr. Tower, where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. EOG Resources, Inc.

Q. And what is your current position with EOG
Resources?

A. My title is Division Land Specialist.

Q. Have you previously testified before this
Division?

A. Yes, I have.

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

A. Yes.

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

A. Yes, I am.

Q. Are you familiar with the status of the lands in

1 the area which is the subject of the Application?

2 A. Yes, I am.

3 MR. CARR: Are Mr. Tower's qualifications
4 acceptable?

5 EXAMINER BROOKS: Qualifications are accepted.

6 Q. (By Mr. Carr) Mr. Tower, would you briefly state
7 what it is that EOG Resources seeks in this case?

8 A. Yes, EOG is seeking an order pooling all minerals
9 from the surface through the top 100 feet of the Chester
10 formation in the space south half -- the spacing unit being
11 the south half of Section 30, Township 15 South, Range 35
12 East, in Lea County, New Mexico, the south half equivalent,
13 which is 321.94 acres, which is in effect, Lots 3 and 4,
14 the east half of the southwest quarter and southeast
15 quarter for all formations and pools developed on 320-acre
16 spacing, which would include but not necessarily be limited
17 to the Undesignated North Hume-Morrow Gas Pool and the
18 Undesignated North Eidson-Morrow Gas Pool, the southwest
19 quarter for all formations developed on 160-acre spacing,
20 the north half, southwest quarter, for all formations
21 developed on 80-acre spacing, which would again include but
22 not necessarily be limited to the Big Dog-Atoka Pool, and
23 the northwest quarter of the southwest quarter for all
24 formations developed on 40-acre spacing, which again would
25 include but not necessarily be limited to the Undesignated

1 Big Dog-Strawn Pool and the Undesignated Townsend-Permo-
2 Upper Penn Pool, and to be dedicated to EOG's proposed
3 Johns Hopper "30" Federal Well Number 3, which will be
4 drilled at a standard location, gas well location, 1980
5 feet from the south line and 880 feet from the west line of
6 Section 30.

7 Q. Mr. Tower, the Johns Hopper, that's the name of a
8 trout fly, is it not?

9 A. I believe so.

10 Q. Have you acquired this interest from Mr.
11 Arrington?

12 A. Yes, we have.

13 Q. And how have you acquired that interest? By
14 farmout?

15 A. By farmout agreement.

16 Q. Could you identify what has been marked as EOG
17 Exhibit Number 1?

18 A. Exhibit Number 1 is a land plat. It depicts the
19 spacing unit in red for the primary objective and it shows
20 the proposed location and the general ownership in the
21 area.

22 Q. What is the status of this acreage? State,
23 federal or fee land?

24 A. It is all fee.

25 Q. And what is the primary objective?

1 A. The Morrow formation.

2 Q. Let's go to what has been marked for
3 identification as EOG Exhibit Number 2.

4 A. Exhibit Number 2 is an ownership breakdown in the
5 south half of Section 30, specifically listing the
6 interests in this south half that are not voluntarily
7 committed to this spacing unit at this time.

8 Q. EOG owns all the remaining working interest owner
9 in the acreage?

10 A. That's correct.

11 Q. What do these figures, these percentages,
12 represent?

13 A. These percentages are based on title opinion
14 provided to EOG by its counsel and basically what our
15 counsel believes is the ownership of Yates and David -- or
16 this collective group, which I will collectively refer to
17 them in this testimony as Yates and David Petroleum,
18 because they represent the entire group, primarily.

19 Q. Mr. Tower, if we look at this ownership interest,
20 is it common throughout the 320-acre spacing unit?

21 A. Yes, it's all undivided interests.

22 Q. So if we are looking at a 160-acre spacing unit
23 or a 40-acre spacing unit, the ownership would be the same?

24 A. That is correct.

25 Q. Is there a disagreement with Yates and David

1 Petroleum concerning these percentages?

2 A. Yes, the percentages, as I mentioned, are based
3 on our title information and our attorneys. However, there
4 is a disagreement on these percentages between EOG and this
5 collective group. It arises from a certain contractual
6 issue that involves when an old joint operating agreement
7 expired, and then certain top leases that were acquired
8 during that period as to what the sharing percentages of
9 those agreements are.

10 In effect -- Their contention would be to the
11 effect that there's approximately 19-, 20-percent
12 difference in the interests, where there is some, you know,
13 again, disagreement where possibly the 16 rounded off
14 percentage I list on my exhibit, in their opinion, could be
15 as much as 34 to 35 percent.

16 Q. You're currently negotiating with Yates and the
17 David Petroleum group on this matter?

18 A. Yes, we are, we have been --

19 Q. What if you're unable to reach a voluntary
20 agreement? What are you going to do?

21 A. Our plans would be to seek, most likely,
22 arbitration or a court order of some type to decide the
23 issue.

24 Q. When are you proposing to actually commence the
25 drilling of this well?

1 A. On or before October 6th.

2 Q. And what are you going to do with the share of
3 the proceeds which would be affected by this dispute as to
4 the ownership percentages in the acreage?

5 A. We'll escrow this disputed amount in a bank in
6 Lea County, New Mexico.

7 Q. But regardless of what these percentages actually
8 work out to be, the parties are the same?

9 A. Yes.

10 Q. In all spacing units?

11 A. That is correct.

12 Q. And all funds in dispute will be escrowed until
13 the matter is resolved?

14 A. That is correct.

15 Q. Are there any owners that you've been unable to
16 locate?

17 A. No.

18 Q. Let's go to what has been marked EOG Exhibit
19 Number 3, and could you summarize for Examiner Brooks the
20 efforts you've made to reach voluntary agreement?

21 A. Yes. Exhibit Number 3 is a collective group of
22 -- The front page is just a summary of my discussions with
23 David Petroleum and Yates Petroleum Corporation, which
24 between those two entities represent the entire group being
25 pooled here, and just a summary of my discussions or the

1 dates.

2 And then behind that is the original well
3 proposal with AFE and various fax correspondence along with
4 certified receipts, the original well proposal, just
5 documenting the negotiations between our companies.

6 Q. Let's go to what has been marked for
7 identification as EOG Exhibit Number 4, the AFE. Would you
8 review that, please?

9 A. EOG Exhibit Number 4 is the AFE or drilling cost
10 estimate for the drilling of this 13,300-foot well, the
11 Johns Hopper "30" Number 2. Collectively we're estimating
12 that the dryhole cost is \$692,600, with a completed well
13 cost of \$1,365,500.

14 Q. Are these costs in line with what has been
15 incurred in the drilling of similar wells in this area?

16 A. Yes.

17 Q. Have you made an estimate of the overhead and
18 administrative costs to be incurred while drilling the well
19 and also while producing it, if it is successful?

20 A. Yes.

21 Q. And what are those figures?

22 A. We would recommend that a drilling well rate,
23 fixed drilling well rate, of \$6000 and a producing well
24 rate of \$600 be applied to this Order.

25 Q. And you recommend that these figures be

1 incorporated into the order that results from this hearing?

2 A. Yes.

3 Q. Is Exhibit 29 a copy of the 1984 COPAS Accounting
4 Procedures for Joint Operations?

5 A. Yes, Exhibit Number 5, yes.

6 Q. I'm sorry, Exhibit Number 5.

7 A. Yes.

8 Q. If we look at the numbers set forth in this
9 agreement, it has \$5800 while drilling and \$580 while
10 producing; is that right?

11 A. That is correct.

12 Q. Those are not the numbers that are applicable to
13 this well?

14 A. No, that should have been changed to \$6000 and
15 \$600.

16 Q. And you're seeking the \$6000 and \$600?

17 A. That is correct.

18 Q. Do the COPAS accounting procedures set forth in
19 Exhibit Number 5 provide for periodic adjustments of the
20 overhead and administrative costs?

21 A. Yes, they do.

22 Q. Does EOG request that the figures set by the
23 order that results from this hearing also provide that
24 these numbers can be adjusted in accordance with COPAS
25 procedures?

1 A. Yes.

2 Q. Does EOG seek to be designated operator of this
3 well?

4 A. Yes.

5 Q. Is Exhibit Number 6 an affidavit confirming that
6 notice of this hearing has been provided in accordance with
7 Division Rules?

8 A. Yes.

9 Q. Have all the Yates and David Petroleum interest
10 owners been provided with notice of today's hearing?

11 A. Yes, they have.

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

14 A. Yes, they were.

15 MR. CARR: At this time, Examiner Brooks, we move
16 the admission into evidence of EOG Exhibits 1 through 6.

17 EXAMINER BROOKS: Any objection? Exhibits 1
18 through 6 will be admitted.

19 MR. CARR: That concludes my direct examination
20 of Mr. Tower.

21 EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. Okay, I'm not sure I understood what you said
24 about the relationship of the figures appearing in Exhibit
25 Number 5 -- just what Exhibit Number 5 is, and how that --

1 A. Okay.

2 Q. -- relates to the fact that they do not apply to
3 this well. Is it because of the escalation provisions in
4 the COPAS that what you're asking for is higher than what's
5 in Exhibit 5?

6 A. Yes, this was just a -- this standard form we're
7 presenting that has the language identifying the escalation
8 provisions, and then in the overhead provision on the fixed
9 rates, under page 4, we took this form just as an example
10 for the language to be incorporated into the order allowing
11 for the escalation.

12 Q. Okay. I notice that it says, Attached to and
13 made part of the joint operating agreement between EOG as
14 operator and Yates as non-operator. Was this something
15 that at some time was proposed with reference to this unit?

16 A. No, this is just an example. Probably in
17 fairness, we should have deleted that as no application, if
18 you don't -- we should delete the heading. All we're doing
19 here is supplying the form, and this form was taken from
20 another agreement, but it is the form we would incorporate
21 to extract the language for the order.

22 It has no bearing on this well, as far as this is
23 not an agreement in place for this well at this time.

24 Q. There is no joint operating agreement between EOG
25 and Yates --

1 A. That is correct, on this --

2 Q. -- is that correct --

3 A. -- on this particular well, you're exactly
4 correct.

5 Q. Okay.

6 A. This was just a form to be utilized. We should
7 have deleted the reference to -- I apologize for that.

8 Q. And in essence what you've told me is that there
9 is a title dispute between EOG and --

10 A. In essence, yes. It bears from a contractual
11 issue, but in essence, yes.

12 EXAMINER BROOKS: Okay. Mr. Stogner?

13 EXAMINER STOGNER: Yes, I found a couple of
14 things we need to address here, Mr. Brooks.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. First of all, the acreage is fee; is that
18 correct?

19 A. That is correct.

20 Q. Okay, I believe we refer to the proposed well as
21 Johns Hopper "30" Federal Number 3, but it appears that the
22 Application did not include "Federal", it was acci- -- or
23 evidently put in there during the ad --

24 A. That is --

25 Q. -- and so that has no bearing or --

1 A. Has no bearing, it is a fee well.

2 Q. Okay. Also, I notice the proposed 80-acre
3 spacing we have for the south half, and that was in the
4 proposed ad in it looks like the Application. I assume
5 that that is an error?

6 A. That is, yes.

7 Q. And what is the proposed --

8 A. The proposed -- it should have been -- That is a
9 typographical error, obviously, with the well location. It
10 should be the north half of the southwest quarter.

11 Q. Now, then, I don't have my special pool rules
12 booklet here with me. Do you know, or perhaps the next
13 witness would know, what the rules are in that Big Dog -- I
14 believe that is the Big Dog-Atoka Pool, for 80-acre spacing
15 and well locations?

16 A. I do not currently know, but counsel supplied
17 some of this. We will -- either next witness or get with
18 counsel and supply that, but I'm not clear on that.

19 I will point out, it is a secondary objective.
20 The Morrow is primary, and this would be a -- definitely a
21 secondary objective that may occur. It's not critical to
22 the well.

23 Q. I do know that some of the old pools, for 80-acre
24 spacing it refers to 150 feet within -- from the center of
25 a quarter quarter section, making this well unorthodox.

1 But some of the newer ones have 330 feet from the quarter
2 quarter section line, which that would extend --

3 MR. CARR: Mr. Stogner, or Examiner Brooks, would
4 you object if we broke for just a minute --

5 EXAMINER BROOKS: Not at all.

6 MR. CARR: -- so I could discuss this with Mr.
7 Tower?

8 EXAMINER BROOKS: No, that's okay. Let's take a
9 brief recess, take about five minutes.

10 MR. CARR: Okay.

11 (Thereupon, a recess was taken at 9:14 a.m.)

12 (The following proceedings had at 9:22 a.m.)

13 EXAMINER BROOKS: Okay, back on the record.

14 MR. CARR: Mr. Examiner, we've looked at this
15 situation, and we've concluded that we only have one option
16 and that really is to dismiss the portion of our
17 Application that applies to 80-acre spacing, and we would
18 request permission to do that at this time.

19 EXAMINER BROOKS: Very good. You've dismissed
20 the 80-acre request, and that's the one that's the Big Dog-
21 Atoka Pool?

22 MR. CARR: Yes, sir.

23 EXAMINER BROOKS: Okay. But you still have the
24 40-acre for the northwest of the southwest, which is
25 correctly --

1 MR. CARR: Correct, and --

2 EXAMINER BROOKS: -- advertised?

3 MR. CARR: -- and the 160 and the 320.

4 EXAMINER BROOKS: Okay, very good. You may
5 continue.

6 MR. CARR: That's all we have with Mr. Tower,
7 unless the Examiner has additional questions.

8 EXAMINER BROOKS: No, I have nothing further,
9 thank you.

10 MR. CARR: At this time we would call Mr. Godsey.

11 EXAMINER BROOKS: Good morning.

12 MR. GODSEY: Good morning.

13 DAVID A. GODSEY,

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

16 DIRECT EXAMINATION

17 BY MR. CARR:

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

19 A. David A. Godsey.

20 Q. Mr. Godsey, where do you reside?

21 A. Midland, Texas.

22 Q. By whom are you --

23 EXAMINER BROOKS: I'm sorry, could you spell your
24 name, please?

25 THE WITNESS: G-o-d-s-e-y.

1 EXAMINER BROOKS: Thank you. Go ahead, Mr. Carr.

2 Q. (By Mr. Carr) By whom are you employed?

3 A. EOG Resources.

4 Q. And what is your position with EOG Resources?

5 A. I am project geologist.

6 Q. Have you previously testified before the New

7 Mexico Oil Conservation Division?

8 A. Yes, I have.

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

10 credentials as an expert in petroleum geology accepted and

11 made a matter of record?

12 A. Yes, they were.

13 Q. Have you made a geological study of the area

14 which is the subject of this Application?

15 A. Yes, I have.

16 Q. And are you prepared to share the results of that

17 work with the Examiner?

18 A. Yes, I am.

19 MR. CARR: Are the witness's qualifications

20 acceptable?

21 EXAMINER BROOKS: They are.

22 Q. (By Mr. Carr) Mr. Godsey, let's go to what has

23 been marked for identification as EOG Exhibit Number 7, and

24 I'd ask you to identify this and review it for Mr. Brooks.

25 A. Okay, Exhibit Number 7 is a production map that

1 covers the nine-section area surrounding Section 30 of 15
2 South, 35 East. This is a 1-to-1000-scale map. It shows
3 all penetrations within the mapped area, and production is
4 color-coded as per the producing horizon. The green
5 circles would be the Atoka-Morrow, the orange would be the
6 Wolfcamp, or Permo-Penn as it's called, the light blue is
7 Strawn production.

8 Around each well, above the well, you will see
9 the operator name, well name and well number.

10 Below the well, or to the side on one particular
11 well for spacing reasons, you'll see the cumulative
12 production to date, oil on top, gas on bottom, and that is
13 in MBOs and MMCF, such that, for instance, the Yates
14 Petroleum Corp. Arreguy "AVM" Number 1, which is in the
15 northeast northeast of Section 25 -- it's a Morrow producer
16 -- the production there to date -- when I say to date
17 that's as of, I believe, June of this year -- that has made
18 55,000 barrels and 1.411 BCF of gas, which would be how you
19 would read this map.

20 Also shown on here in red is the acreage that we
21 have in the south half of Section 30. The location for the
22 Johns Hopper is indicated on here, and cross-section A-A',
23 which we'll see and review later.

24 Q. Mr. Godsey, what is the primary objective in the
25 subject well?

1 A. The primary objective in this is the Morrow.

2 Q. Are there any real secondary objectives in this
3 area?

4 A. Well, none that have been specifically mapped and
5 targeted by this location. However, as you can see, there
6 are other horizons that produce in this area. We'd be glad
7 to take anything we can get, but nothing specific.

8 Q. Let's go to Exhibit Number 8. Would you identify
9 and review that, please?

10 A. Exhibit Number 8 is a map that covers the same
11 area as the production map we looked at. It's the same
12 scale, covers the same area. It is a structure map on top
13 of the Mississippian formation.

14 The well control here, though, is not all
15 penetrations. This is only those wells that went as deep
16 as 12,100 feet or deeper. So shallower wells that did not
17 penetrate the Morrow formation are not shown on this base.
18 Also, only the Morrow producers have been shown on this, as
19 far as the production goes.

20 The contour map itself is a 100-foot contour
21 interval, and the subsurface datums for each well are
22 indicated in red to the right of the well.

23 Q. What is the significance of the structure in this
24 area?

25 A. Well, we think structure is important out here in

1 the sense that in mapping on top of the Morrow formation,
2 we feel that this is a -- most of the time a fair
3 representation of paleodepositional structure, and we think
4 that the paleo lows had an influence on the deposition of
5 the Morrow formation.

6 Q. And this map shows a low going across Section 30;
7 is that correct?

8 A. Yes, it does.

9 Q. Let's go to Exhibit Number 9. Would you identify
10 and review this?

11 A. Exhibit Number 9 is a gross Morrow sand isopach.
12 The basis is the same setup as you see in the previous
13 exhibit, where the scale is the same, the well control
14 that's posted is the same. However, instead of a structure
15 map, it's an isopach of the cumulative sand within each
16 wellbore encountered in the mapped area. Again, the Morrow
17 producers, Atoka-Morrow producers, are shown highlighted in
18 the green circles.

19 This particular map is a 10-foot contour
20 interval, and you will see that we have interpreted a
21 relatively thick section of Morrow sands to be trending
22 across our location.

23 Q. Let's go now to the cross-section, Exhibit 10.
24 There's a trace for the cross-section on the preceding
25 exhibit. Would you review the information on Exhibit 10?

1 A. Okay, Exhibit 10 is a structural cross-section,
2 A-A', that's been indicated on the previous maps. The
3 scale vertically is 2 1/2 inches per 100 feet. The
4 horizontal scale is indicated on the cross-section with the
5 distance indicated between each borehole.

6 The cross-section on the A end, which is the left
7 side of the cross-section, starts with the northerly end at
8 the Yates Petroleum Arreguy "AVP" Com Number 1. It
9 proceeds well number two to the Yates Arreguy "AVM" Number
10 1, which is in Section 25, through our location, and to the
11 southeast to the BTA well in the southeast part of Section
12 30.

13 What's indicated on the cross-section in red is
14 the top of the Morrow. Below that in black is the top of
15 the Mississippian, which is the structural mapped horizon.
16 We indicate the Chester down below that in light blue, and
17 then the top of the lower Miss in a darker blue below that.

18 Also, we are indicating in yellow the sands that
19 have been encountered by the wells in the cross-section,
20 and that would correlate to the sand count that you see
21 mapped on the isopach map.

22 Q. Is it fair to say we have fairly good continuity
23 of the gross sand intervals across this area?

24 A. Well, that's a good question. We obviously can
25 map the top of the Morrow, we can map the base of the

1 Morrow at the Mississippian, and we have a typical
2 correlatability of sands within the Morrow.

3 We have some continuity, yes, but it is all
4 interpretive.

5 Q. Are you prepared to make a recommendation to the
6 Examiner concerning the risk penalty that should be
7 assessed against any interest that doesn't voluntarily
8 participate in the well?

9 A. Yes, I am.

10 Q. And what is that?

11 A. I recommend the 200-percent penalty.

12 Q. And what is the basis for that recommendation?

13 A. Well, it ranges from the general to the specific.
14 First of all, this is a Morrow prospect, and anyone who's
15 worked the Morrow for any length of time in New Mexico
16 knows that's a high-risk proposition to begin with. Our
17 typical risk assessment for the Morrow is, you're looking
18 at about a 30-percent success ratio.

19 As a matter of fact, if you take the nine-section
20 area represented on the maps here and you look at that,
21 you'll see four wells that have found production so far,
22 out of 13 total penetrations. That is a 30-percent
23 success.

24 So we think that, you know, the specifics of this
25 prospect as well -- you know, applies very well to our

1 general knowledge of the risk assessment of the Morrow.
2 And you know, viewing the cross-section here and the
3 correlatability of specific intervals within the Morrow,
4 you can also see the risk also.

5 Q. Mr. Godsey, in your opinion will approval of this
6 Application and the drilling of the well as proposed be in
7 the best interest of conservation, the prevention of waste
8 and the protection of correlative rights?

9 A. Yes.

10 Q. Were Exhibits 7 through 10 prepared by you?

11 A. Yes.

12 MR. CARR: Mr. Brooks, at this time we move the
13 admission of EOG Exhibits 7 through 10.

14 EXAMINER BROOKS: Any objection? Seven through
15 10 are admitted.

16 MR. CARR: That concludes my direct examination
17 of Mr. Godsey.

18 EXAMINER BROOKS: Okay, I don't believe I have
19 any questions of this witness.

20 Do you, Mr. Stogner?

21 EXAMINER STOGNER: No, sir.

22 EXAMINER BROOKS: Very good, the witness may
23 stand down.

24 MR. CARR: That concludes our presentation in
25 this case.

1 EXAMINER BROOKS: Okay. Well, if there is
2 nothing further, then Case Number 12,924 will be taken
3 under advisement, and I am mindful that you have an October
4 6th date.

5 (Thereupon, these proceedings were concluded at
6 9:37 a.m.)

7 * * *

8
9
10
11
12
13 I do hereby certify that the foregoing is
14 a complete record of the proceedings of
the Examiner hearing of Case No. 12924
15 heard by me on Sept 19, 2002
16 David K. Burt
Off Conservation Division
17
18
19
20
21
22
23
24
25

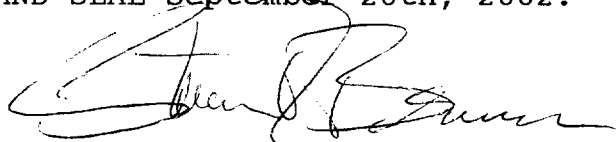
CERTIFICATE OF REPORTER

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 ~~September~~ 20th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002