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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. 10350
APPLICATION OF OWENS PETROLEUM INC.)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

JULY 25, 1991

Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on JULY 25, 1991, at 8:35 a.m. at the
Oil Conservation Division Conference Room, State Land Office
Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico,
before Freda Donica, RPR, Certified Court Reporter No. 417,
for the State of New Mexico.

FOR: OIL CONSERVATION	BY: FREDA DONICA, RPR
DIVISION	Certified Court Reporter
	CCR No. 417

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I N D E X

JULY 25, 1991
Examiner Hearing
CASE NO. 10350

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APPEARANCES

OWENS PETROLEUM INC. WITNESSES:

KENNETH R. OWENS
Direct Examination Mr. Kellahin 4

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A P P E A R A N C E S

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FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

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FOR THE APPLICANT: KELLAHIN, KELLAHIN & AUBREY
117 North Guadalupe
Santa Fe, New Mexico
BY: W. THOMAS KELLAHIN, ESQUIRE

1 HEARING EXAMINER: We'll call case number 10350. We'll
2 come back to case 10335 at a later time.

3 MR. STOVALL: Application of Owens Petroleum, Inc. for
4 compulsory pooling, Lea County.

5 HEARING EXAMINER: At this time I'll call for
6 appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
8 Santa Fe law firm of Kellahin, Kellahin & Aubrey appearing
9 on behalf of the applicant, and I have one witness to be
10 sworn.

11 HEARING EXAMINER: Are there any other appearances in
12 this matter? Will the witness please stand and be sworn at
13 this time?

14 (Witness sworn.)

15 KENNETH R. OWENS
16 the witness herein, having been first duly sworn, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q. Mr. Owens, for the record, would you please state
21 your name and occupation?

22 A. Kenneth R. Owens. I'm president and owner of
23 Owens Petroleum, Inc. I'm a small, independent oil and gas
24 operator.

25 Q. Where do you reside?

1 A. Midland, Texas.

2 Q. Have you on prior occasions testified before the
3 division either on behalf of this company or any other
4 company?

5 A. No.

6 Q. Take a moment and describe for the Examiner your
7 educational background.

8 A. I have a degree in geology from the University of
9 Cincinnati, 1978.

10 Q. Subsequent to graduation, would you summarize
11 your work as a petroleum geologist?

12 A. I've been a professional working petroleum
13 geologist since 1978.

14 Q. In what areas of the country?

15 A. In the Permian Basin, southeast New Mexico, West
16 Texas.

17 Q. Tell the Examiner something about Owens
18 Petroleum, Inc., Mr. Owens.

19 A. Okay. The company was just incorporated in the
20 fall of 1990, and at that time I bought a couple of
21 properties which I do operate. As I said, I am a small
22 operator, operating one property already in Eddy County, New
23 Mexico, and one in Andrews County, Texas, and am in the
24 process of trying to get another well drilled here in Lea
25 County, New Mexico.

1 Q. With regards to this current project, is that
2 located in the North Vacuum Abo Pool of Lea County, New
3 Mexico?

4 A. Yes, it is.

5 Q. Describe for the Examiner your general plan.
6 What are you trying to accomplish?

7 A. I am trying to get a well drilled on the -- to
8 the Abo formation at an approximate depth of 9,000 feet on
9 state lands on the proposed -- in the proposed communitized
10 unit, as you can see here.

11 Q. You're referring to what is marked as Exhibit
12 Number 1?

13 A. Yes.

14 Q. When we look at the area outlined in the dark
15 outline, that's an 80-acre tract, is it?

16 A. Yes.

17 Q. Is that a standard-size basing unit for
18 production of oil from this pool?

19 A. Yes.

20 Q. In your efforts to consolidate the various
21 interests, the working interest owners, to drill this well,
22 have you made yourself personally familiar with the typical
23 costs of drilling and completing Abo wells of this type?

24 A. Yes.

25 Q. In addition, have you undertaken your own

1 geologic interpretation and study with regard to this
2 prospect?

3 A. Yes.

4 Q. As part of that study, do you now have an opinion
5 with regards to the risk factor component that you're
6 requesting for the pooling order in this case?

7 A. Yes.

8 MR. KELLAHIN: At this time, Mr. Examiner, we tender
9 Mr. Owens not only as an expert petroleum geologist but as
10 an independent operator.

11 HEARING EXAMINER: Mr. Owens is so qualified on both
12 accounts.

13 Q. (By Mr. Kellahin) Mr. Owens, let's talk
14 specifically now about the type of acreage involved. When
15 we look at the standup 80-acre tract, there are two
16 different colors used in shading the acreage. What's the
17 purpose of the different colors?

18 A. That's to demonstrate the ownership -- the nature
19 of the ownership of the two respective 40-acre tracts, the
20 yellow one being a 40-acre tract that I have obtained
21 through a farmout from Shell. Shell Western E and P is the
22 complete business name.

23 Q. Under the terms of that farmout of that 40-acre
24 tract from Shell, when are you obligated to commence the
25 well?

1 A. I am obligated as we speak now to commence the
2 well by August 8th of this year.

3 Q. Other than the 40-acre tract that you obtained
4 the Shell farmout from, have you been able to successfully
5 commit on a voluntary basis the balance of the working
6 interest owners in the 80-acre spacing?

7 A. No.

8 Q. Whom are the working interest owners for that
9 tract?

10 A. For the other tract, it's Texaco.

11 Q. Describe for us in a summary fashion, Mr. Owens,
12 your initial contacts and efforts to obtain Texaco's
13 participation with you in the drilling and completion of
14 this well.

15 A. I first -- first of all, in early 1990 attempted
16 to either purchase or farmout that acreage from Texaco and
17 was unsuccessful, then subsequent to that, obtained the
18 Shell farmout.

19 And knowing that I had to have 80 acres to abide
20 by the field rules here in the North Vacuum Abo Pool, I had
21 to make some sort of a deal with Texaco. I attempted, first
22 of all, by phone on March 26th of this year, requested them
23 by phone to either, once again, sell or sell the acreage.
24 They turned me down on that right away. And I then asked
25 them to contribute their acreage and either join me in this

1 proposed communitized proration unit here, either join me in
2 the drilling of the well or to farmout to the proposed
3 comp. They said at that time that they would indeed join me
4 in drilling the well. And at that time I sent them a letter
5 requesting such and sent them an AFE outlining the estimated
6 cost to drill and complete said well.

7 Q. Did you follow up your correspondence with Texaco
8 to see what position they would take in response to that
9 proposed well?

10 A. Yes, I did.

11 Q. And what happened?

12 A. I followed up with two respective letters that I
13 have here today, copies of them and subsequent numerous
14 phone calls. In April I sent them the letter, first
15 requesting that they join or farmout to the proposed comp,
16 and sent them the AFE. I followed that up later on in April
17 with subsequent phone calls. At such time they told me,
18 "Well, due to budgetary constraints, we probably wcn't join
19 you. We'll probably just farmout to the proposed
20 communitized unit. Go ahead and send us another letter
21 asking us to please do that, and we will then take action.
22 And it will take us some time to process all this."

23 And later in May a copy of the letter I have here
24 today also, I sent them that letter with another copy of the
25 AFE, a copy of the communitization agreement and a copy of

1 my model form operating agreement.

2 Q. Can you identify the individual that you were
3 dealing with in Texaco?

4 A. Yes.

5 Q. Who is that person?

6 A. It's a Mr. Ron Lanning. He is the area landman
7 that works for Texaco in Denver but handles this area of Lea
8 County.

9 Q. What was the last position communicated to you by
10 Texaco's personnel, Mr. Lanning, concerning their position
11 in this matter?

12 A. Their last communication to me, roughly a month
13 ago as we speak now, was that, "We plan to take no action on
14 this matter at all. You go ahead and do what you've got to
15 do," meaning, "if you have to force pool us, go ahead and
16 force pool us."

17 Q. When we look at Exhibit 1, what are we looking
18 at?

19 A. We're looking at a land plat, ownership plat,
20 showing the outline of the proposed communitized proration
21 unit and with the breakdown of the ownership thereof.

22 Q. You've satisfied yourself, have you, Mr. Owens,
23 that the ownership is as you believe it and as you've
24 represented it to the Examiner?

25 A. Yes, I have.

1 Q. When we look at the base ownership underneath the
2 lease, are we dealing with fee, state or federal lands?

3 A. It's state lands.

4 Q. Turn to what is marked as Exhibit Number 2.
5 You've referred to a chronology. Have you reduced this
6 chronology of conversations and efforts with Texaco to
7 writing?

8 A. Yes.

9 Q. And does this represent your work?

10 A. Yes.

11 Q. And your recollections of those conversations?

12 A. Yes, it does.

13 Q. And that's Exhibit Number 2?

14 A. Yes.

15 Q. You referred while ago to your initial
16 correspondence with Texaco. Is that what is marked as
17 Exhibit Number 3?

18 A. Yes, it is.

19 Q. And then following that is Exhibit Number 4. Was
20 what, sir?

21 A. That is an AFE authorization for expenditure, an
22 estimate of the total drilling and completion costs for the
23 well.

24 Q. And what are those totals?

25 A. The total cost for a completed well, I have it

1 here on the AFE, is \$525,040.00.

2 Q. Is this the AFE that you have communicated to
3 Texaco?

4 A. Yes.

5 Q. Have you received any objection from Texaco
6 concerning the fairness or the accuracy of your estimated
7 well costs?

8 A. No.

9 Q. Have you circulated your AFE to other interest
10 owners within your 40-acre tract?

11 A. Yes.

12 Q. You have investors that you have consolidated to
13 help support in the drilling of this well?

14 A. Yes, I have.

15 Q. Have any of those investors objected to your well
16 costs?

17 A. No.

18 Q. Describe for us the details of how you caused
19 that AFE to be prepared.

20 A. In the upper right corner of the AFE, it says,
21 "Prepared by Mr. Steve Becker." He's a consulting engineer
22 in Midland, Texas, who works for me on a consulting contract
23 basis, and he prepared the AFE in conjunction with myself.

24 Q. Based upon your knowledge of the cost of wells of
25 this type in this particular area, do you have an opinion as

1 to whether or not these costs are fair and reasonable?

2 A. Yes, I do.

3 Q. What is that opinion?

4 A. I think these costs are fair and reasonable.

5 Q. Are you requesting the Examiner adopt these costs
6 in setting forth a forced pooling order in this case?

7 A. Yes.

8 Q. Do you have a recommendation to the Examiner of
9 overhead charges that you're requesting be included in the
10 forced pooling order?

11 A. Yes, I do.

12 Q. And what is that recommendation, Mr. Owens?

13 A. Those recommendations, as seen on the copus
14 schedule of my model form 1989 operating agreement, call an
15 overhead rate of \$4,000.00 a month for a drilling well and
16 an overhead rate of \$400.00 a month for an operating,
17 producing well.

18 Q. Have your investors accepted those rates as fair
19 reasonable overhead rates for their participation in the
20 well?

21 A. Yes.

22 Q. And how do those well rates for overhead charges
23 compare to the Ernst & Young tabulation for 1990 of overhead
24 rates for oil wells at this depth?

25 A. They compare favorably with the Ernst & Young

1 table I have here before me.

2 Q. Is that your recommendation then to the Examiner,
3 that he utilize the \$4,000.00 a month and the \$400.00 a
4 month rates for inclusion in the pooling order?

5 A. Yes, it is.

6 Q. Following Exhibit Number 4 then is what is marked
7 as Exhibit Number 5. Would you identify that for me?

8 A. Exhibit Number 5 is a letter under my letterhead,
9 dated May 6th to Texaco in Denver, to the attention of Mr.
10 Ron Lanning, once again asking -- at his request, once again
11 asking that they join me in the drilling of an Abo test on
12 the proposed acreage, and either join me by contributing
13 their costs or by contributing their acreage to the --
14 farmout of their acreage to the unit thereof.

15 And at his request, I state in the body of the
16 letter that my plans at that time were to force pool the
17 referenced acreage should Texaco elect not to participate.
18 As I just said, that was done at his request.

19 Q. Let me turn your attention now to the subject of
20 an opinion on the risk factor penalty component of the
21 pooling order. And in that regard, let me have you turn to
22 what is marked as Exhibit Number 6. Would you identify that
23 for me, please?

24 A. Exhibit Number 6 is, once again, a land plat but
25 with numbers and lines drawn to individual wells surrounding

1 the subject acreage.

2 Q. If we also turn to Exhibit Number 7 and look at 6
3 and 7 together, what is the purpose of Exhibit Number 7?

4 A. The purpose of Exhibits Number 6 and 7, the
5 numbers on Exhibit Number 6 correspond to the numbers on the
6 table of the list on Exhibit Number 7. The reason I
7 compiled and constructed this was so I could see for my own
8 edification just what kind of production and how much oil
9 had been withdrawn from the wells immediately surrounding
10 the acreage.

11 Q. As part of your study of the geology and the
12 production date of those wells around you in this pool, were
13 you able to reach an opinion or conclusion concerning a
14 recommended risk factor penalty for this pooling case?

15 A. Yes.

16 Q. What is that recommendation?

17 A. My recommendation would be the maximum.

18 Q. Could you highlight for us the principal points
19 upon which you base that opinion?

20 A. I base that opinion upon the fact that a
21 considerable amount of oil has been extracted from the wells
22 on -- directly offsetting the acreage, and there's
23 considerable risk involved here that we could be draining,
24 depleting.

25 Q. Did you base your conclusion on any other reason,

1 other than the fact that production around you may have
2 substantially depleted your tract?

3 A. Yes.

4 Q. What other reasons?

5 A. We are drilling -- we propose to drill directly
6 offsetting and downdip to an active water flood, which could
7 -- the water injected there in that water flood could
8 encroach upon our acreage either in the near term or at some
9 time water us out.

10 Q. Can you use Exhibit Number 6 and identify for the
11 Examiner the location of this water flood updip from your
12 potential oil zone that puts you at a potential risk?

13 A. Yes. As you'll see, the active mobile water
14 flood bounds the acreage on the west and on the due north.

15 Q. Other than drainage and exposed risks to an
16 active water flood in the same pool, are there any other
17 basic reasons that support your conclusion about a penalty
18 factor?

19 A. Yes, there are. As people in the oil industry
20 understand, any time you drill anywhere, even in an oil
21 field, there is a certain inherent risk that you will
22 encounter rock of core reservoir quality, and you could make
23 a noncommercial well. That's another risk that has to be
24 factored in also.

25 Q. Let's go back and investigate some of the basic

1 details then that support those conclusions. When we look
2 at Exhibit Number 7 and find the wells on Exhibit Number 6,
3 can you give us an example of the relationship between what
4 might be characterized a good oil producer in this pool
5 versus one that would not be a good producer?

6 A. I could characterize -- if you'll look again at
7 Exhibit Number 6, you could characterize wells number, say,
8 number 8 or 9 as good producers in this pool. And they are
9 -- well, you can see wells number 8 and 9. Then, again,
10 you can look at well number 4, which is directly offsetting
11 the proposed acreage to the west, and there's a well that's
12 five years old and has just now made 31,000 barrels, and I
13 would classify that as a poor producer or mediocre producer
14 and actually close to a noncommercial well.

15 Q. Let's look for a moment at the potential risks of
16 the water flood. Have you identified for us -- or can you
17 identify for us on your two displays the closest injector
18 wells to your spacing unit?

19 A. Yes. If you'll look at the wells that I identify
20 on the list as number 1 and number 3, both of those directly
21 offsetting the acreage, number 1 to the north, number 3
22 directly offsetting the acreage to the west. Both of those
23 are active injectors at this time.

24 Q. In an effort to help you assess the risk involved
25 of being drained by prior production in the pool, have you

1 made an effort to analyze and tabulate that offsetting
2 production?

3 A. Yes, I have.

4 Q. Let me direct your attention, Mr. Owens, to what
5 is marked as Exhibit Number 8.

6 A. Yes.

7 Q. Would you identify and describe that display?

8 A. That is just a summary that I've made, taking all
9 the -- all the production directly offsetting the acreage,
10 first of all, within one legal drilling location
11 distance-wise from the acreage. I have tabulated and added
12 up all the cumulative production.

13 And then the second line there summarizes and
14 adds up all the cumulative production of all wells within
15 two legal drilling locations of the subject acreage.

16 Q. How does that help you decide as the principal
17 involved in your company about making a decision for
18 drilling this well and assessing the risk involved?

19 A. Okay. Well, as you can see on Exhibit 8, within
20 one legal drilling location there have been -- there has
21 been over 337,000 barrels of oil extracted from the
22 reservoir. Within two legal drilling locations there has
23 been over 749,000 barrels of oil extracted from the
24 reservoir, and, mind you, 670 million cubic feet. That
25 tells me that within two legal drilling locations of my

1 acreage there has been three-quarters of a million barrels
2 of oil extracted from the reservoirs, and that tells me as
3 an experienced operator that there is a substantial chance,
4 a substantial risk here that we could be drained or
5 depleted.

6 Q. In assessing the risks then if Texaco's interest
7 is pooled, you will have to pay out of your own funds and
8 those of your investors Texaco's 50 percent of the cost of
9 the well.

10 A. Yes.

11 Q. In order to compensate you for undertaking that
12 risk, your conclusion is that a 200 percent risk factor is
13 appropriate and fair?

14 A. Yes, it is.

15 Q. Let's look at little bit at the geology that you
16 have mapped. Turn now to Exhibit 9 for me. Does that
17 represent your own interpretation?

18 A. Yes.

19 Q. Upon what is that interpretation based?

20 A. It's a map on the top of what I call the Abo
21 Marker. It's a stratigraphic marker in the top of the Abo
22 formation.

23 Q. It might help us as we look at the structure map
24 to also turn to Exhibit Number 10, which is your
25 cross-section?

1 A. Yes.

2 Q. The structure on the Abo upon which you have
3 prepared Exhibit Number 9, can you identify that point for
4 us on the cross-section, Exhibit 10?

5 A. It's what's marked on the cross-section, Exhibit
6 10, as Abo Marker.

7 Q. When we look at the structure map, the details of
8 those contour lines are a little difficult to extract from
9 all the data on the map. Give us a general summary of the
10 structure. What's the magnitude of relief we're looking at
11 as we move from east to west?

12 A. We're looking at not a whole lot of relief on the
13 -- as far as structure goes on the top of the Abo here.
14 And total relief from west to east on my map here is -- and
15 what I've got contoured there is just 175 feet.

16 Q. Within the gross interval of this Abo pay, what
17 is that vertical distance?

18 A. The pay consistently through this immediate area
19 of the North Vacuum Abo Field consistently stays between 200
20 and 250 feet in gross thickness.

21 Q. When we look at the stratigraphic cross-section,
22 Exhibit 10, give us some idea of how the various operators
23 have attempted to obtain production out of the pool in
24 deciding where to perforate and how to produce the wells.

25 A. They basically perforate the same -- essentially

1 the same pay section, as you can see on the cross-section
2 here. With some variation, you can see that they obviously
3 went through the zone, evaluated the zone, and went back and
4 selectively perforated what they thought were going to be
5 the best stringers, if you will, in the zone. But it's
6 still basically the same pay section.

7 Q. Do we have a display that outlines the line of
8 cross-section that you've taken for Exhibit Number 10?

9 A. No, I don't.

10 Q. Describe for us generally the wells that were
11 selected for the cross-section.

12 A. The wells that I put on the cross-section start
13 with well number 5 back on Exhibit 6 -- I'm sorry about that
14 -- and come south to the acreage, and then skirt the
15 acreage on the west, and then move back over to a well off
16 to the east, which would be well number ten on Exhibit 6.
17 So, basically, it runs right along from the north along the
18 west and then across the south of the subject acreage.

19 Q. Geologically, do you find that the offsetting
20 well log information for this zone correlates with what you
21 would expect to find underlying your acreage?

22 A. Yes.

23 Q. To what extent does that help you verify as an
24 operator your contention that you may have been drained by
25 these other wells?

1 A. Well, we know that the pay is continuous through
2 the area and that these other operators have been extracting
3 oil from the same reservoir that I plan to drill into.

4 Q. In your opinion, Mr. Owens, will you be
5 successful in further attempts to negotiate with Texaco on a
6 voluntary basis, or do you need the assistance of the
7 division in entering a pooling order at this point?

8 A. I need the assistance of the division.

9 MR. KELLAHIN: That concludes my examination of Mr.
10 Owens. We would move the introduction of his Exhibits 1
11 through 10. I will mark as Exhibit Number 11 a certificate
12 of mailing, showing our notifications of hearing to Texaco
13 for this case. And we would ask that that also be
14 introduced at this time. The second notification on the
15 sheet is to the state land office. They have land office
16 rules concerning force pooling, and it was our effort to
17 tell them that we'd undertaken this process.

18 HEARING EXAMINER: Exhibits 1 through 11 will be
19 admitted into evidence at this time.

20 Mr. Owens, I received from you, I believe back in
21 March, an application for a nonstandard proration unit; is
22 that right?

23 THE WITNESS: Yes, it is.

24 HEARING EXAMINER: Why don't you bring us up to where
25 we are on that application, how we got from then till now?

1 THE WITNESS: Subsequent to that, as you know, when you
2 do that you have to notify offset operators, that being
3 Mobil.

4 Q. (By Mr. Kellahin) You mean for the nonstandard
5 proration unit?

6 A. Yes.

7 Q. You had asked for what acreage?

8 A. I'd asked for a nonstandard proration unit for
9 the northeast of the southeast of Section 18 to drill a well
10 there on 40 acres. At that time, when you do that, you have
11 to notify offset operators, which I did, those being -- by
12 certified mail -- those being Mobil, Phillips, Texaco and
13 Marathon. At that time, subsequent to that, Mobil objected
14 to the nonstandard proration unit. And it was directly
15 subsequent for that that I then contacted Texaco and started
16 this process of trying to establish the proposed
17 communitized proration unit to abide by the established
18 field rules for the North Vacuum Abo Pool.

19 HEARING EXAMINER: So it was only after your
20 unsuccessful attempt of the nonstandard proration unit -- I
21 shouldn't say "unsuccessful" -- but when you received an
22 objection from Mobil, then you came in for the
23 communitization or sought Texaco to join you in your
24 standard 80; is that correct?

25 THE WITNESS: Yes, sir.

1 HEARING EXAMINER: Had there been any conversations
2 with Texaco prior to then?

3 THE WITNESS: Yes, sir. As early as January and
4 February of 1990 I had attempted to purchase and/or farmout
5 the acreage in question, Texaco's acreage there, and was
6 unsuccessful at that time.

7 HEARING EXAMINER: So that prompted you to make the
8 application for the 40-acre nonstandard proration unit?

9 THE WITNESS: Yes, sir.

10 HEARING EXAMINER: I have on your Exhibit Number 6
11 attempted to draw your cross-section, and I wanted to make
12 sure I got the right wells. Look at your Exhibit Number
13 10. You went from well number 5 -- I'm referring to Exhibit
14 Number 6 -- down south to well number 1, back up to the
15 north and west to well number 2?

16 THE WITNESS: No, back over to -- let me see --

17 HEARING EXAMINER: I'm sorry, back to the due west.

18 THE WITNESS: I'll just draw it here for you. There,
19 up to 15, be south, across the acreage to there, like this.
20 And I'm sorry about that.

21 HEARING EXAMINER: Thank you. I just wanted to verify
22 that.

23 MR. STOVALL: What you've done, just for the record, is
24 you have marked another copy of Exhibit Number 6?

25 THE WITNESS: Showing the lines.

23
1 MR. STOVALL: As your cross-section?

2 THE WITNESS: Yes, sir.

3 HEARING EXAMINER: Your offset -- your proposed well is
4 directly offsetting two water injection wells; is that
5 correct?

6 THE WITNESS: Yes, sir.

7 HEARING EXAMINER: And those water injection wells are
8 operated by Mobil?

9 THE WITNESS: Yes.

10 HEARING EXAMINER: And they're injecting into the Abo;
11 is that correct?

12 THE WITNESS: Yes.

13 HEARING EXAMINER: Do you know when those wells were
14 converted to water injection wells?

15 THE WITNESS: The -- I don't know the exact dates. I
16 know that the flood was put together gradually through the
17 early to mid-eighties. And I know that well number 3, the
18 due west offset, did produce until '86, at which time it no
19 longer produced, and, to my knowledge, shortly thereafter
20 was converted. So, to the best of my knowledge, the due
21 north offset has been an injector since the early eighties;
22 the due west offsetting injector has been injecting water
23 since sometime shortly after it stopped producing in early
24 1986.

25 HEARING EXAMINER: And this well has never been

1 included in that North Vacuum Abo East Unit area; is that
2 correct?

3 THE WITNESS: I'm sorry, this acreage?

4 HEARING EXAMINER: The acreage in which you are seeking
5 forced pooling today.

6 THE WITNESS: No, sir, it hasn't.

7 HEARING EXAMINER: And there are no producing wells in
8 the Abo to the north and east, or to the east, at least,
9 directly offsetting this 80 acres; is that correct?

10 THE WITNESS: Not directly offsetting.

11 HEARING EXAMINER: But the nearest well is that well
12 number 10 identified on Exhibit Number 7. That's the Mobil
13 Number 1 State Double P?

14 THE WITNESS: Yes, sir.

15 HEARING EXAMINER: Is that well presently producing?

16 THE WITNESS: Yes, it is.

17 HEARING EXAMINER: Is it a marginal producer?

18 THE WITNESS: Yes, sir. It makes -- as I've got on the
19 list there in parentheses, it makes about seven barrels per
20 day.

21 HEARING EXAMINER: This well first started producing in
22 '73, and it's produced about 54,000 thousand cumulative
23 barrels?

24 THE WITNESS: Yes, sir.

25 HEARING EXAMINER: How would you classify that well?

1 THE WITNESS: I would classify that as a poor producer.

2 HEARING EXAMINER: Are there any dry holes between the
3 Number 10 and your proposed well?

4 THE WITNESS: No, sir.

5 HEARING EXAMINER: Are there any other questions of
6 this witness?

7 MR. KELLAHIN: No, sir.

8 HEARING EXAMINER: He may be excused. Anything further
9 in case number 10350?

10 MR. KELLAHIN: No, sir.

11 HEARING EXAMINER: Mr. Kellahin, if I understand right,
12 an August 8th commencement date?

13 MR. KELLAHIN: Yes, sir.

14 HEARING EXAMINER: And you're requesting an expedited
15 order, I would assume.

16 MR. KELLAHIN: If you could accommodate us, Mr.
17 Examiner, we'd appreciate it.

18 HEARING EXAMINER: Case number 10350 will be taken
19 under advertisement at this time.

20 (The foregoing hearing was adjourned at the
21 approximate hour of 9:26 a.m.)

22

23

24

25

1 STATE OF NEW MEXICO)

2 :

3 COUNTY OF SANTA FE)

4 I, FREDA DONICA, RPR, a Certified Court Reporter, DO
5 HEREBY CERTIFY that I stenographically reported these
6 proceedings before the Oil Conservation Division; and that
7 the foregoing is a true, complete and accurate transcript of
8 the proceedings of said hearing as appears from my
9 stenographic notes so taken and transcribed under my
10 personal supervision.

11 I FURTHER CERTIFY that I am not related to nor employed
12 by any of the parties hereto, and have no interest in the
13 outcome hereof.

14 DATED at Santa Fe, New Mexico, this 16th day of
15 September, 1991.

16 

17 Freda Donica
18 Certified Court Reporter
19 CCR No. 417

20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 10359
23 heard by me on July 25 1991.

24 , Examiner
25 Oil Conservation Division