NEW MEXICO OIL CONSERVATION DIVISION

STATE LAND OFFICE BUILDING

STATE OF NEW MEXICO

CASE NO. 10424

IN THE MATTER OF:

The Application of Citation Oil & Gas Corporation for downhole commingling, McKinley County, New Mexico.

BEFORE:

MICHAEL E. STOGNER

Hearing Examiner

State Land Office Building

December 19, 1991

REPORTED BY:

DEBBIE VESTAL
Certified Shorthand Reporter
for the State of New Mexico

GINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.
General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

KELLAHIN, KELLAHIN & AUBREY
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
BY: W. THOMAS KELLAHIN, ESQ.

I N D E X

E X H I B I T S

EXAMINER STOGNER: Let's call the hearing to order for Docket No. 36-91. Today's date, please note, December 19, 1991. I'm Michael E. Stogner, the appointed hearing officer for today's cases.

I'll call for the first case today, Case No. 10424.

MR. STOVALL: Application of Citation Oil & Gas Corporation for downhole commingling, McKinley County, New Mexico.

EXAMINER STOGNER: Call for appearances.

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

EXAMINER STOGNER: Are there any other appearances in this matter?

Will the witness, please, stand and be sworn at this time.

DAN KELLY

Having been duly sworn upon his oath, was examined and testified as follows:

EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Kelly, for the record would you, please, state your name and occupation.

A. My name is Dan Kelly. I'm a petroleum engineer for Citation Oil & Gas.

Q. Where do you reside, sir?

A. In Midland, Texas.

Q. Have you on prior occasions testified as a petroleum engineer before the Division?

A. No, sir, I haven't.

Q. Summarize for us when and where you obtained your engineering degree.

A. I received a bachelor's in science in petroleum engineering from the Colorado School of Mines in 1982.

Q. Subsequent to graduation summarize for us your employment experience as an engineer.

A. Upon graduation I went to work for Tenneco Oil Company in Denver, Colorado. I worked with Tenneco from 1982 through 1988. I spent the first nine months of 1989 in Los Angeles as an operations manager for an independent oil producer.

I was hired on with Citation Oil & Gas in September of 1989 as an area engineer in

charge of the Rocky Mountain District. I currently hold that position.

Q. Are you the engineer that is primarily responsible for preparing the presentation of Citation for your request to downhole commingle production in the Hospah?

A. Yes, sir, I am.

Q. Summarize for us your background and experience with regards to that property.

A. As the area engineer over the Rocky Mountains, my responsibilities include generating and implementing all engineering projects in the South Hospah Field.

Q. Based upon that experience, Mr. Kelly, have you been able to form opinions about the downhole commingling application and your company's proposal to commingle production in the South Hospah Upper Sand Pool with production from the South Hospah Lower Sand Pool?

A. Yes, sir.

MR. KELLAHIN: We tender Mr. Kelly as an expert petroleum engineer.

EXAMINER STOGNER: Mr. Kelly is so qualified.

Q. (BY MR. KELLAHIN) Before we go through

the actual exhibits that you prepared today, Mr. Kelly, let me have you give us a general idea of the background of the basis of why you're seeking this application.

First of all, let's talk about the Upper Hospah. How many wells are you seeking approval to downhole commingle production in?

A. We currently have 14 active oil producers in the Upper Hospah.

Q. And how many active producers do you have in the Lower Hospah?

A. There are currently 22 active oil producers.

Q. When you look at the Upper and Lower Hospah, what is the highest current oil producing rate on a daily basis for both of the pools?

A. In the South Hospah Unit, or the Upper, it's 14 barrels of oil per day out of one well. That's our maximum. And then 14 barrels of oil per day out of one well in the Lower also.

Q. When you average your production among the wells in the Upper Hospah, what's your average daily oil production?

A. 2.9 barrels of oil per day per well.

Q. And for the Lower Hospah, what's your

average on a daily basis?

A. Almost six barrels of oil per day per well.

Q. Describe for us the properties. First of all, let's deal with the Upper Hospah. How has that production been consolidated for your operations?

A. The Upper Hospah was unitized in 1968 and is completely -- I don't know if I understand the question. I'm sorry.

Q. Well, you've answered my question. It's a federal unit, is it not?

A. Yes, sir, it is a federal unit.

Q. When you look at production in the Lower Hospah, is there a base federal lease for that production?

A. It is a base federal lease, yes, sir.

Q. What is the plan of operation that is currently utilized by your company and was utilized by your predecessor, Tenneco, in the operations of the property?

A. We currently have separate flow streams for the oil and commingle the water after it has been produced and reinject it and distribute it accordingly.

Q. Are you operating either of the pools or the wells in the pool under a water-flood or pressure-maintenance concept?

A. Yes, sir, we sure are. The Upper is a unitized water-flood and the Lower, being a lease, is just a pressure-maintenance type of operation, but it is also water-flood.

Q. Describe for us why you're seeking to have production commingled then between the Upper and the Lower Hospah Pools within the federal lease and this corresponding federal unit.

A. Both of these zones are very marginal and are rapidly approaching their economic limit. By downhole commingling these zones, we feel that we can substantially decrease our operating expense, thus extending the life of the fields.

Q. In making your analysis of extending the productive life of the field, do you have an estimate for the Examiner of the approximate percentage of reduction in operating costs if he approves the downhole commingling for your project?

A. Yes, sir. I feel that we can decrease our LOE's in the neighborhood of 16 to 20

percent.

Q. In terms of extending the project's life, do you have an estimate of that period of time?

A. Yes, sir. Right now based on the calculations that we're presenting, two-and-three-quarter years will be added additionally to the life of these projects.

Q. As part of your analysis, were you also able to determine and forecast the amount of additional oil that will be recovered if downhole commingling is approved?

A. Yes, sir. Right now roughly 128,000 barrels of oil can be additionally produced from this property if this downhole commingling order is so granted.

Q. And correspondingly if it is not approved, it will shorten the economic life of your project, you can't reduce your costs, and there will be approximately 128,000 barrels of oil left in the reservoir?

A. That is correct.

Q. When you look at the working interest ownership --

A. Yes, sir.

Q. -- who are the working interest owners that share in the production from both of the pools within the area of the application?

A. Citation Oil & Gas retains 100 percent working interest in the South Hospah lease or South Hospah Unit in the Upper and also in the Lower Hospah lease.

Q. And your base leases are federal leases?

A. Yes, sir.

Q. Do you have any differences in overriding royalties between the overriding royalties owners that would participate in production in the Upper Hospah versus those that would share in production in the Lower Hospah?

A. We do have a difference in the Upper from the Lower.

Q. Give us a range of the magnitude of that difference in overriding royalty ownership.

A. Just a quick breakdown, Citation Oil & Gas retains 84.6-plus-or-minus percent of the royalty interest with the Mineral Management Service having 12.32 percent of the override. The additional plus-or-minus-3 percent in the Upper is broken out between six overriding

royalty interest owners.

In the Lower, Citation retains a straight 84-and-a-half percent. The Mineral Management Service has a straight 12-and-a-half percent, and the 3 percent is divided between four overriding royalty interest owners.

Q. What is the magnitude of that change in percentage between the two pools?

A. I don't know if I understand the question. I'm sorry.

Q. There's a difference in percentage in ownership between the owners that share in production in the two pools?

A. Yes, sir. It's very varied.

Q. What is the total range?

A. It's very, very slight, less than .8 percent, or around .8 percent.

Q. Have you made a determination as an engineer about how to allocate the production between the interest owners in the upper pool with those owners in the lower pools so that each interest owner gets its fair and equitable share of the production as commingled?

A. Yes, sir. The allocation formula that we're presenting today is based on a ratio of

remaining economic reserves under the current operating conditions. These reserves were calculated using historical decline curves.

Q. And you have the production decline curves in your display package?

A. Yes, sir.

Q. And you can go through the calculation for us?

A. Yes, sir.

Q. Have you shared the proposed allocation formula with those owners that will be affected by this order?

A. Yes, sir, I sure have. We sent out notification with waiver letters informing all interested parties of what we were trying to take, including the offset operator, and have received waiver forms back from all but one party that currently retains .2 percent plus-or-minus of overriding royalty in the upper formation, and that would be Santa Fe Energy Resources.

Q. Have you been in contact with Santa Fe Energy Resources to determine if they have any objection to having their share of production commingled in this fashion?

A. Yes, sir. I have talked to the

district or division reservoir engineer for Santa Fe Energy Resources in Midland, Texas. They were unaware that they held this override. And their land department did not have any of the appropriate files to make a decision whether this was exactly the amount of override that they retain in this unit.

And based on their inability to determine their override and substantiating with their own records, they refused. But the district engineer told me that it wasn't even worth the time and the phone call, that he would sign off on this in a minute if in fact theirs was .2 percent of the Upper's currect production.

Q. His problem was not with the allocation formula but with the fact that he could not verify his own ownership of interest in the project?

A. That is correct.

Q. Let's go through the exhibits now, Mr. Kelly, so that Examiner Stogner will understand the basis for your conclusion. First of all, let's start with the oversheet. It's simply a cover sheet to your exhibit. Underneath that

what have you done?

A. We've just tried to give you a list of the exhibits, basically a table of contents.

Q. All right. Let's turn to Exhibit No. 1. Would you identify that for me?

A. Yes, sir. In the South Hospah Unit, or the Upper Sand Pool, we have listed the wells that are currently in that unit with the status active being -- or "Act" standing for active, "T/A" standing for temporary abandonment in the second column.

The type of well is either an oil well or water-injection well, as you can see in the third column, with the location of the well by footages in the last column.

Q. Before we go to the second page of Exhibit 1, let's turn to the first page of Exhibit 2. Identify that plat for me.

A. The first page of Exhibit 2 is the location plat for the South Hospah Unit.

Q. And this will be the upper sand wells?

A. The upper sand wells, yes, sir, that are listed in the first exhibit on page 1.

Q. When we look at the well summary for the Upper Sand Pool, do you propose to seek

approval from the Examiner for commingling production in all the wells that are shown on the Upper Sand Well summary?

A. Yes, sir.

Q. Let's go then to the second page of Exhibit 1 and identify that for me.

A. The second page contains a list of the wells in the South Hospah lease or the Lower Sand Pool.

Q. And then correspondingly, when we go to the second page of Exhibit 2, will we find a plat by which we can identify then on the plat the wells shown on page 2 of Exhibit 1?

A. Yes, sir.

Q. When we compare the list of wells in the Upper and the Lower Sand, the list is slightly different, isn't it?

A. Yes, sir, it sure is.

Q. And that's because certain wells have yet to be extended into the Lower Pool, and correspondingly some of the Lower Pool wells have yet to be perforated in the Upper Pool?

A. That's very true.

Q. What's is your plan of operation then for making the commingling operation effective in

the field? What are you going to do?

A. We would like to selectively perforate in the upper zone and current lower-producing wells and likewise selectively deepen, or in some cases it won't be necessary to deepen, existing upper producers.

Q. What's the purpose in doing that?

A. To allow us to minimize the number of wellbores that we are currently operating in that unit.

Q. Describe for me how that process will also allow you to effectively manage the water production that you're managing in the pool now.

A. We feel that by minimizing the number of wells we can, number one, decrease our operating expense and likewise possibly increase our oil-water ratio in given wells and allowing us to shut in some of the more marginal oil producers in different areas of the zone therefore allowing us to more selectively cycle the water and having to lessen the amount of water we handle everyday, which will virtually decrease our lease operating expenses significantly.

Q. Give us a quick mental picture of the

physical relationship of the pool geologically between the Upper Pool and the Lower Pool.

A. The upper's average depth is 1580 feet below surface. It's approximately 20 feet thick. It is separated from the lower zone by approximately 30, 35 feet with the three- to four-foot coal member right on top of the lower zone that is a barrier contiguous throughout the formation.

The lower sandstone is roughly 28 feet thick, very slight dip to it, and fairly homogeneous.

Q. In the Upper Pool do you get water production in association with the well?

A. Yes, sir.

Q. Give us a general range on average of what your oil production would be to the water production in the Upper Pool.

A. Currently we're making 41 barrels of ~~water~~ oil per day in the Upper in association with 3,000 barrels of water per day.

Q. When you look at the Lower pool, give us the general range on average of oil versus water.

A. That one is even a little bit less. We make 132 barrels of oil per day, but we have

moved 15,000 barrels of water per day to get that.

Q. All right. And by selectively deepening or recompleting this combination of wells, then you hope to improve the management of this substantial amount of water and correspondingly improve your oil recovery?

A. Yes, sir, that is correct.

Q. Okay. Let's go to Exhibit No. 3, Mr. Kelly, and have you identify that for me, please.

A. Exhibit No. 3 contains for both the Hospah, South Hospah Unit and the Hospah lease, Form C-116 from the Oil Conservation Division in New Mexico, the gas-oil ratio test.

MR. STOVALL: Did you assemble the exhibit book, Mr. Kellahin?

MR. KELLAHIN: Yes, sir. And it was done on purpose just to see if you were paying attention.

Q. (BY MR. KELLAHIN) What's the purpose of the gas-oil ratio test? Why did you put it in the exhibit book?

A. It was required in Rule 303 for downhole commingling.

Q. If you were to file this administratively, it's one of the documents?

A. Yes, sir, it's one of the documents they request.

Q. These in fact are classified all as oil wells, are they not?

A. That's correct, yes, sir.

Q. Turn now to Exhibit 4. This is a two-part exhibit, is it?

A. Yes, sir, it sure is.

Q. Explain the first page.

A. On the first page we have the decline curve, the current decline curve for the Upper Hospah Unit.

Q. This is an oil production decline curve?

A. Yes, sir.

Q. What does it tell you?

A. We've tried to show where our economic limit is in the upper and how close we are to attaining that economic limit under current operating conditions.

Q. When you look at the period from 1986 to 87 --

A. Yes, sir.

Q. -- there is a significant drop in the oil production rate. What's occurred here?

A. That's when oil prices fell so low. And these wells became uneconomic at that point and Tenneco shut them in.

Q. At what point in the production decline curve did Citation take over the property?

A. In November of 1987.

Q. All right. And then you put the project back on production --

A. That's correct.

Q. -- and have continued with a decline from which you have extrapolated the future performance of the Upper Hospah?

A. That's correct.

Q. Is this part of the basis upon which then you have come up with an allocation formula?

A. Yes, sir, this is. This basically illustrates the remaining reserves that we used in the upper portion in the ratio of allocating production.

Q. Turn to the second page of Exhibit 4. Identify and describe that for me, please.

A. This is the oil decline curve for the Hospah lease, or the Lower Sand Pool, with a

projected decline over the next one-and-a-half years stating its economic limit based on current operating conditions.

Q. All right. I see the note. It says, "Projected Economic Limit." That projects an economic limit out into what point in time?

A. I believe that at that point it is March of 1993.

Q. And that will presume no commingling?

A. Yes, sir. That does not presume commingling. These are left on individual basis.

Q. Okay. Let's turn to Exhibit 5 now, Mr. Kelly, and identify that first page of Exhibit 5.

A. Exhibit 5 is an estimated producing bottom. It shows the calculations and how an estimated bottomhole pressure was tabulated for the Upper Hospah Unit.

Q. And the second page shows the calculation for the Lower Hospah?

A. Yes, sir.

Q. What is the datum point upon which you've averaged the bottomhole pressure?

A. We used mid-perf for each one of these reservoirs primarily because of the low-dipping

beds, the low-dipping formations. We did not see drastic relief.

Q. Okay. From an operational perspective do you see any substantial pressure differential or any fluid incompatibility or any water problem that is going to be made worse --

A. No, sir.

Q. -- if commingling is approved?

A. No, sir.

Q. Turn now to the right-hand part of the exhibit package and let's look at the documents behind tab Exhibit 6. Identify those for me, Mr. Kelly.

A. Exhibit 6 is a letter from our current treating chemical company that basically states that there will not be a compatibility problem with the waters in this zone. And that's inherent in the fact that these waters are commingled on the surface and reinjected so each one of these zones is seeing the same water.

And also that there will not be any emulsion or precipitate problems with the production or the commingling of the oils.

Q. Current operations are the water is produced from individual wellbores separately but

then commingled on the surface and reinjected back into both pools as part of the water-flood pressure maintenance project?

A. Yes, sir.

Q. And then the second page starts the water analysis report?

A. Yes, sir. Just documentation on the similarities of the water within the different wellbores.

Q. Turn to Exhibit 7, Mr. Kelly, and identify this exhibit.

A. Exhibit 7 is just a tabulation of the assumptions that were made in generating the current -- under current conditions the economic limit. The shaded side on the far right column is the commingled, the assumptions that were used in the commingled case that shows the extension of the economic limit based on the lower lease operating expense.

Q. Are those reservoir engineering assumptions that you've made based upon an analysis of the data generated from your project?

A. Yes, sir.

Q. In your opinion are those assumptions a reliable and accurate basis upon which to make

this forecast?

A. Yes, sir.

Q. Let's go to Exhibit 8, Mr. Kelly. Identify for us Exhibit 8.

A. Exhibit 8 is the allocation formula that we have submitted for your approval, for the Oil & Conservation Division's approval, to allocate production from the Upper and the Lower Hospah.

Q. Summarize for us how you have determined approximately 20 percent of production to allocate to the Upper Sand versus approximately 80 percent to allocate to the Lower Sand.

A. The basic formula that was used was determining from the decline curves that we've already seen the current remaining reserves, which we came up with 20.1 percent remaining recoverable economic reserves in the Upper Hospah, with 79.99 percent of the remaining economic reserves available to us from the Lower. And from those we've set up a ratio, a direct ratio, to allocate production with one single flow stream.

Q. In your opinion is that a fair and

accurate way based upon current available data upon which to make allocation of the commingled production?

A. Yes, sir.

Q. Let's turn now to Exhibit 9. Identify this for me.

A. Exhibit 9 is a tabulation for the South Hospah Unit, the Upper Sand, a tabulation of the royalty interests by member, by each participant.

Q. All right. Page 2 of the exhibit is what?

A. It's a current division interest per tract for the Lower Hospah.

Q. All right. And then page 3?

A. Page 3 shows for the Upper Hospah the four different tracts that are referred to in that table on the first page.

Q. And those are the tracts that have been consolidated under the unit operation for participation in this production?

A. That's correct.

Q. And when we deal with the lower pool, what is the acreage that participates in production from the lower pool?

A. The lower pool is strictly contained

within the north half of Section 12 on that plat and is a federal lease.

Q. And so if the Examiner or anyone else chose to determine what the net change was or the difference, then you can simply look at a tract, find the interest owner, and see what share of production is attributable to that percentage after you make the allocation of that production?

A. That's correct, with the tract factors being in the top column underneath each tract.

Q. Okay. Maybe if you'll turn to Exhibit 10 for me, Mr. Kelly, would you identify and describe that.

A. Exhibit 10 is just our Affidavit of Mailing that shows who we contacted regarding this petition.

Q. All right. Let's look at the kinds of information you sent the parties upon which they could make their choice. After the list of names and addresses, there is a cover letter dated November 19?

A. Yes, sir.

Q. And what was transmitted with the cover letter? Was there anything transmitted with it? That's simply the waiver letter, isn't it?

A. That's strictly the waiver letter, and that was all that was sent to them at that time.

Q. The following day, on November 20, then there was a summary letter describing what Citation sought to do with this application?

A. Yes, sir. And this letter was sent to all the royalty interest owners, including the Mineral Management Service, which you see a copy of that letter, the BLM.

Q. And based upon that letter, then, you have received waivers back from all the interest owners with the exception of the Santa Fe interst?

A. Yes, sir, that is correct.

Q. Okay. Mr. Kelly, in your opinion will the approval of this application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, sir.

MR. KELLAHIN: That concludes my examination of Mr. Kelly, Mr. Stogner.

We move the introduction of his Exhibits 1 through 11. In addition, I have an Exhibit 12, which is my own Certificate of Mailing for hearing, in which I have attached the

return receipt card showing that we have sent it out by certified mail.

EXAMINER STOGNER: Thank you, Mr. Kellahin.

Is that Exhibit 12?

MR. KELLAHIN: I need to find Exhibit 12.

EXAMINER STOGNER: Exhibits 1 through 12, if he finds it, will be admitted into evidence.

Mr. Kelly, let me go ahead and ask some questions and get them out of the way.

EXAMINATION

BY EXAMINER STOGNER:

Q. In looking at Exhibit No. 2, you show you're in a boundary for the Upper Sand and then the lease boundary on the Lower Sand. Now, the ad says that you want to downhole commingle throughout the whole unit area, but yet I don't find information on the leases outside the north half of the 12 which overlies also the unit area. Is that also to be downhole commingled outside that north half of Section 12?

A. No, sir.

Q. Okay. So we're just restricting the

commingling to the north half of 12?

A. Yes, sir.

Q. So when I look at, there again, the Upper Sands -- I'm sorry, your map of your unit area, I got a Well 22, a Well No. 58, a Well 21, and Well 19, those are not to be downhole commingled; is that correct?

A. No, sir, not at this time.

Q. Now, the 37-X up there, and it appears like it's in the northwest quarter --

A. Yes, sir.

Q. -- is that indeed in the northwest quarter of the northwest quarter?

A. No, sir, it is not. It is not following Tract 3 of the Upper.

Q. Okay. So that is outside?

A. Yes, sir.

Q. And that's to be downhole commingled?

A. Yes, sir.

Q. How about the injection wells, are they currently downhole commingled in both zones, or do you have an injection well in each interval?

A. We have injection wells in each interval. And if we are sharing wellbores, there are some injection wells that are dualed, but

they are isolated with the packer.

Q. Do you wish to pull those packers and dually or downhole commingle your injection in those wells?

A. I would like to have the permission to do that if the time arose. I don't have any current plans on that, but yes, sir.

Q. Have you had any correspondence with the BLM on the allocation formula, other than no correspondence?

MR. KELLAHIN: We sent the notices; right?

A. Yes. They have seen the letter, read the letter -- we have, and they have received it, we have a return receipt -- of what we proposed. I have been in contact with Brian Davis in the Farmington office, who has been relaying back to Duane Spencer back and forth. And they saw, as far as I'm aware, they saw no problem with any of this.

Q. Okay. So they did not at least have any objection or inform you of any objection to the allocation formula?

A. No, sir.

Q. Or either the downhole commingling?

A. No, sir.

Q. Are these wells perforated or any of them openhole completed?

A. To the best of my knowledge, they are all perforated.

Q. Okay.

A. Now, some wells were deepened into the lower, and I believe there might be some lowers that are openhole completed.

Q. Does that coal act as a good buffer zone in oil pools? I'm not familiar with an oil-saturated coal zone. Or does that indeed happen? Or is it so impermeable that water or oil cannot saturate that coal zone?

A. The information I took that from was an SP paper submitted by Steve Strewner that basically summarized the thermal when they tried to fire-flood in the lower zone. And they proved at that point that there was a very good barrier, and they assessed it to that coal streak above the three-to-four foot -- or the three-foot or the four-foot thick coal streak above the lower formation.

Q. This paper that you specifically relate to, is it related to this project?

A. No, sir, not one bit. It's just one piece that I tried to get a little background on. My background is not real strong in reservoirs, so I've just been trying to read as much as I can to get a feel for these reservoirs.

Q. Was that paper in this area or --

A. Well, I'm sorry. In 1980-81, Tenneco submitted a request to the Oil Conservation Division to initiate a fire-flood project. And this paper was a summary of that fire-flood project in the Lower Hospah Sand.

Q. Do you have a reference to that SPE paper?

A. Yes, sir.

MR. KELLAHIN: We'll be happy to give you a copy of it, Mr. Examiner.

EXAMINER STOGNER: All right. We'll take administrative notice of it. You can submit that subsequent to today's hearing.

THE WITNESS: Okay.

EXAMINER STOGNER: Are there any other questions of this witness?

MR. STOVALL: Let me ask you something.

(A discussion was held off the record.)

Q. (BY EXAMINER STOGNER) Are you proposing or is Citation proposing any additional drilling out there in the north half of Section 12?

A. No, sir, not at this point.

Q. But I suppose the way the application was worded and what you're asking for would also include any additional wells to be drilled in that area --

A. Yes, sir.

Q. -- to be downhole commingled?

A. Yes, sir.

MR. STOVALL: Let me ask a question just because I think I missed something along the way.

EXAMINATION

BY MR. STOVALL:

Q. On one of your Exhibit 2's, I think it's the first page of it, in the Upper Sand Pool --

A. Yes, sir.

Q. -- there are some wells in the south half of -- the north half of the south half, and those are not completed in the lower sand; is that correct?

A. That's correct.

Q. Are those the ones you're talking about going ahead and taking them down?

A. No, sir. They would strictly be within the north half of Section 12.

MR. STOVALL: I got confused there somehow. It was because the other exhibit was upside down.

That's what threw me off, Mr. Kellahin.

EXAMINER STOGNER: If nobody has any other questions of this witness, he may be excused.

Does anybody else have anything further in Case No. 10424?

If not, this case will be taken under advisement.

(The proceedings were concluded.)

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10424 heard by me on 19 December 1991.

Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Debbie Vestal, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; 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 DECEMBER 26, 1991.

Debbie Vestal

DEBBIE VESTAL, RPR
NEW MEXICO CSR NO. 3