STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 10,702

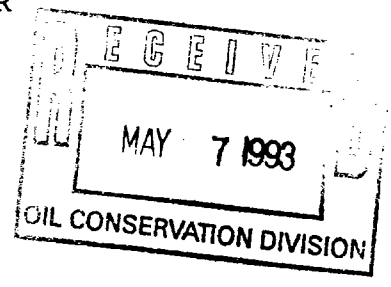
EXAMINER HEARING

IN THE MATTER OF:

Application of Meridian Oil, Inc., for a high angle/horizontal directional drilling pilot project, special operating rules therefor, an unorthodox gas well location, and a nonstandard gas proration unit, San Juan County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER



ORIGINAL

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

April 8, 1993

A P P E A R A N C E S

FOR THE DIVISION:

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ALSO PRESENT:

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I N D E X

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E X H I B I T S

APPLICANT'S EXHIBITS:

* * *

WHEREUPON, the following proceedings were had at 2:33 p.m.:

EXAMINER CATANACH: At this time we will call Case 10,702.

Application of Meridian Oil, Inc., for a high angle/horizontal directional drilling pilot project, special operating rules therefor, an unorthodox gas well location, and a nonstandard oil proration unit --

MR. KELLAHIN: The oil is a mistake. It's a gas --

EXAMINER CATANACH: Okay.

MR. KELLAHIN: -- proration unit. It's a typo in the docket.

The Application and the notices to all the parties involved correctly describe that as a gas spacing unit. Anybody who read the docket or the advertisement here, they'd figure out that that was gas and not oil.

EXAMINER CATANACH: Okay. -- San Juan County, New Mexico.

Appearances in this case?

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin

of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of Meridian Oil, Inc.

There are four witnesses for presentation in this case.

EXAMINER CATANACH: Any other appearances?

And I believe all the witnesses have previously been sworn in, Mr. Kellahin?

MR. KELLAHIN: They have, Mr. Examiner.

EXAMINER CATANACH: Okay.

MR. KELLAHIN: Call first, Mr. Kent Beers.

May the record reflect, Mr. Examiner, that Mr. Beers is a qualified expert petroleum landman and continues under oath in this case?

EXAMINER CATANACH: The record shall so reflect.

KENT BEERS,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Beers, there's a couple of questions I'd like to ask you about the land information available for this particular project, and perhaps we're best served if you'll turn to Exhibit A, and let's look at the pool boundary and the plat of well information.

A. All right.

Q. As an illustration, let's look at this and have you summarize for us what it is that your company seeks to accomplish with this Application. What is it that you're trying to do?

A. We would like to re-enter an existing wellbore and drill out a horizontal leg with that horizontal leg crossing the section lines. Therefore, the a variety of things included in our Application.

Doing that, we recognize the need for, first, the ability to drill the horizontal well at all, and then to come up with a set of rules that will allow us to produce this well in a nonstandard spacing unit.

The existing wellbore that we're kicking out of is itself a nonstandard location in the pool, so again, that's another of our requests.

Just briefly summarizing what's on Exhibit A, is an outline in red of Paradox Creek -- Barker Creek Paradox Gas Pool.

The area where Meridian holds 100 percent of the leases, these are all leases from the Ute Mountain Ute Tribe. The multiple leases covered by those hash marks have all been consolidated under a consolidation agreement in 1957, so it's as if we're operating under a single lease. There are no overriding royalty

owners, so the only parties involved here are Meridian and the Ute Mountain Ute Tribe.

Q. On Exhibit A there is a red outline. What does that represent?

A. The red outline represents the current pool outline.

Q. With regards, then, to this proposed nonstandard spacing unit, which would consist of all of Sections 15 and 16, the ownership is common as to all interest owners; is that correct?

A. That is correct.

Q. And for every spacing unit around it?

A. That's correct.

Q. You as operator effectively control 100 percent of the operating rights, and you share your production with the Ute Mountain Indian Tribe?

A. That's correct.

MR. KELLAHIN: Okay, that concludes my examination of Mr. Beers.

Move the introduction of Exhibit A.

EXAMINER CATANACH: Exhibit A will be admitted as evidence, and I have no questions.

MR. KELLAHIN: All right, sir.

Call at this time Mr. Jim Hornbeck. Mr. Hornbeck is a petroleum geologist.

JAMES M. HORNBECK,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, Mr. Hornbeck, would you please state your name and occupation?

A. My name is Jim Hornbeck, and I'm a senior staff geologist with Meridian Oil in Farmington, New Mexico.

Q. On prior occasions, Mr. Hornbeck, have you testified as a petroleum geologist before the Division?

A. Yes, I have.

Q. Pursuant to your employment by Meridian, have you made a geologic study of this particular project?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Hornbeck as an expert petroleum geologist.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Mr. Hornbeck, I'll leave it up to you to give us a display to look at. Perhaps we could start with Exhibit A, just to orient us.

A. Okay.

Q. Summarize for us what has happened in this pool and why you see, as a geologist, an opportunity to

recover additional hydrocarbons from the pool that you might not otherwise achieve with this project.

A. For a little bit of historical background, the Barker Creek Pennsylvanian Paradox field was developed in the late Forties and early Fifties from a series of carbonates, stacked carbonate pays, all of Desmoinian age. And the majority of the production from the field to date, in excess of 220 billion cubic feet of gas, has been coming from a Lower Barker Creek interval which has subsequently watered out to some degree.

And as Meridian has tried to prudently maintain the integrity of the wellbores in this field, we have defined some additional opportunity in the shallower Ismay and Desert Creek intervals in these existing wellbores.

I have a type log on the wall, and there's also one included under Exhibit -- give me a second here, I think I can find it -- under Exhibit F. But I'd like to use the one on the wall because there's a little more color involved.

Q. Let me have you go to that display on the wall -- it's a large size -- Mr. Hornbeck, and let's talk about where has been the historic production out of this Pennsylvanian Pool and where it is that you now

want to look for new production.

A. The original majority of production has been produced -- Let me start over.

This is a type log for the producing intervals in the field, and this is a gamma-ray, neutron-density, open-hole wireline log on a newly drilled well in the field.

The gamma-ray shows lithology and porosity and pay as indicated by the shaded orange intervals throughout the log. The color blue is limestone, the color purple is dolomite and the brown intervening is a series of anhydrites and tight dolomitic shales.

The majority of the production from the field to date has been produced from the Barker Creek intervals, in particular, the Lower Barker Creek interval, and we are proposing to evaluate the productive potential in a shallower separate reservoir within the Paradox Pool, described as the Upper Ismay zone.

Q. Okay. Why don't you come back to your seat, and let's continue with your description of the identification of this interval.

You have a stratigraphic correlation chart behind Exhibit F. Let's take a look at that for a moment.

A. Exhibit F is just merely a stratigraphic correlation chart of the Paleozoic section in northwestern New Mexico, and I just was including it to indicate that, as opposed to most of the predominant producing horizons in the San Juan Basin, being the Cretaceous section, this is a much older Pennsylvanian section. And you can see that the Desmoinian Age Paradox formation is colored in red.

The reservoirs in the Ismay and Desert Creek intervals at Barker Creek are very similar to the reservoirs in southeast New Mexico of Strawn age, very similar in limestone character and reservoir characteristics.

Q. We've called this, or identified it is a pilot project for a horizontal well. Is it also a pilot project to gather data for other purposes, other than just horizontal technology?

A. Well, primarily the reason for drilling in a horizontal fashion is because we've seen in the recompletions in the vertical wellbores that we are not effectively draining the 640 acres allocated for each spacing unit.

We've seen rapid declines, and we have a lot of analogies with fields off to the northwest in Utah, in the Parodox Basin, that have been very closely

studied and have shown a lot of variations in permeability and reservoir heterogeneity, and we just feel that a horizontal wellbore will help us see if we can actually effectively drain a 640 drill block in these horizons on the structure.

Q. Will this be an opportunity to have data from which you can come back to the Division and apply for modifications in pool rules so that you may more effectively and efficiently produce this reservoir?

A. Yes, that's true.

Q. The current pool rules provide for a single gas well on a 640-acre tract?

A. That's correct.

Q. And well locations to be standard are 1650 from the outer boundaries of the section?

A. That's correct.

Q. In your search for information, did you find any information approving this Ute Number 8 for its location, where it is now?

A. I might not be the best qualified to answer that question.

Q. Okay, all right.

A. That might be better answered by Mr. Beers.

Q. It is at an unorthodox location?

A. Yes, it is.

Q. And your proposal is to re-enter that well and to horizontally drill it in a northwesterly direction?

A. That is correct.

Q. Describe for us why you have chosen this wellbore at this location in the pool to test the horizontal concept.

A. If I could refer to an exhibit -- the first exhibit under Exhibit G, we have a net pay isopach map of the Upper Ismay interval. And you can see that the Ute 8, which is in Section 15, is located on the very edge of the interpreted Ismay stratigraphic buildup.

And consequently, when we went in and recompleted it from the existing perforations of a deeper horizon, it did not perform very well, and we have a marginal producer at best in the vertical section.

Q. Why have you chosen this particular orientation of the lateral?

A. We've chosen the direction because we have an existing producing well, the Ute 4, to the direct north, which is in Section 10. And based on the spacing of the Ute 4, we would be drilling directly into the effectively drained area of the 4 if we went specifically due north and stayed within the Section

15.

We also felt that in going to the northwest, we would have an ability to optimize the drilling into the thickest part of the reservoir buildup and maximize the chances of having a successful economic venture.

Q. In order to execute this plan, you are seeking a drilling window which consists of an area within two sections?

A. That's correct.

Q. And that drilling window would allow you to produce in this reservoir, so long as you were no closer than 1650 from the south, east, and west lines of the two-section unit, and 990 from the north boundary?

A. That is correct.

Q. Okay. When we look at this section in 15, the Ute 8 is the only well, and that's to be the re-entry for the project

A. Yes, that's right.

Q. If you look into the next section, 16, is there a producing well in the pool?

A. There is, and it's the Ute 12 in the northwest of Section 16.

Q. When we look at your type log, in what particular part of the reservoir is the Ute 12

producing?

A. The Ute 12 is currently producing from the Lower Barker Creek interval within the Paradox formation, separate and distinct from the Upper Ismay, which we're proposing to drill through.

Q. The approval of the horizontal well, then, is to test the Upper Ismay, and would be a productive interval separate and apart from the interval currently producing in the Number 12 well?

A. That is correct.

Q. Would you seek the approval of the Division, then, to continue to produce the Number 12 well, although it is on the same spacing unit as the project well?

A. We would like to do that, yes, sir.

Q. Okay. Let's turn now, sir, to the display behind Exhibit G. You've described the first one, the isopach. Let's look at the next one. There's a cross-section?

A. Yes, the second exhibit under G is a stratigraphic cross-section which runs from a newly drilled or recently drilled well within the field of the Ute 16, towards the Southwest, down to the subject well we'd like to re-enter and sidetrack, the Ute 8.

The orientation of this cross-section is

included on the net-pay isopach map, the previous exhibit, and it's colored green so you can see the orientation of it.

And this cross-section was included to indicate the stratigraphic complexity of the Upper Ismay reservoir. These are composite logs showing SP deflection. These are wireline -- open-hole wireline logs. The SP log indicates permeability.

There's a resistivity log which -- And these are fairly old logs on the Ute 8 and the Ute 4. And then there is microlog on the very far right, which should also help indicate where the permeability within the reservoir is.

And as you can see, there are vertical changes in the high-perm streaks within the reservoir between the 8 and the 4 with the microlog response being on the top of the upper Ismay built up in the Ute 8 and in the lower part of the Ismay built up on the Ute 4.

We've seen from analogies with other fields that have been cored and studied in detail that there is tremendous changes in vertical and lateral permeability and porosity within these stratigraphic traps.

Q. Let's turn to Exhibit H, have you identify

and describe that display.

A. Exhibit H is a structure map centering around the subject well, the Ute 8. It is mapped on a shallower cretaceous horizon, the top of the Graneros, and it shows the structure that we will have to deal with in drilling the sidetrack out to the northwest.

The contour interval is 10 feet, and it shows that we will have to drop approximately 35 feet structurally to stay within the major zone.

Q. Let's go back, now, and look at the information to give us a regional idea of where the Barker Creek dome is in relation to --

A. That's Exhibit E.

Q. I was trying to find -- Exhibit E. Let's look at that to give us a regional perspective of where this particular pool is located.

A. Okay, the first exhibit under Exhibit E is just a regional structure map of northwestern New Mexico, and it locates the Barker Creek Dome feature along the hogback on the northwestern side of the San Juan Basin up on the Four Corners platform.

Q. Have you more specifically identified the Barker Creek Dome with the next display?

A. Yes, I have.

Q. Describe that for us.

A. This is a more detailed structure map showing the doubly plunging anticlinal structure of the field. The structural datum is the top of the Desert Creek, which is one of the prospective pays in the field on the type log.

Q. Okay. Summarize for us your conclusions, Mr. Hornbeck, about this project.

A. Well, we'd really like to do two things with this pilot project.

The first is to take a marginal edge well on an Ismay buildup at Barker Creek and hopefully direct a sidetrack oriented towards the thicker buildup in which we can make a marginally commercial well at the present time, a better producer, better commercial venture.

And in addition, we'd like to gain some information on the horizontal sidetrack or horizontal drilling in general within this reservoir to see if it has a solid economic foundation. And if so, we'd propose to come back and create some kind of spacing or rules that would allow us to develop the fields and the three prospective zones with horizontal drilling.

MR. KELLAHIN: That concludes my examination of Mr. Hornbeck.

We would move the introduction of Exhibits E through H.

EXAMINER CATANACH: Exhibits E through H will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Hornbeck, the Ute Number 4 has been completed in the Upper Ismay?

A. That is correct.

Q. And it's a pretty good producer?

A. It's commercial. It has about twice as much pay, as can be seen from the net pay isopach, and consequently, it is producing at commercial rates right now.

Q. Do you know what that might be?

A. Yes, I do. It's about 1.6 million a day right now. So...

By contrast, the Ute 8 is only limping along at about 200 MCF a day, and they've both had very similar completions, and it's just poorer quality reservoir, on the edge of the buildup.

Q. That's the Number 8, you said?

A. Yes, that's correct.

Q. Is there something about the Ismay formation that lends itself to horizontal-type drilling? Is it fractured, or what's the --

A. Well, it probably is to some degree

fractured, but I think the primary mechanism that lends itself to horizontal drilling would be the compartmentalization we're seeing. Many limited reservoirs within the mound that -- One single vertical wellbore just won't effectively drain a drill block.

And we propose with drilling the sidetrack horizontal to connect up numerous compartments and much more effectively drain a single drill block.

Q. Is the potential for Ismay development within the entire pool?

A. Yes, yes.

Q. Is there no potential below the Upper Ismay, in the Lower Ismay or anyplace else?

A. Let me just say that the three pays have been mapped across the structure. There is potential in all three zones.

We see application of this technology, if it's successful, for numerous projects on the feature.

There is -- We don't perceive there to be as much opportunity in this wellbore in the lower Ismay and Desert Creek.

But this is something we might find out. We might find that we can take the horizontal technology into a very poor-looking piece of these reservoirs, such as you see in the 8, in the Lower Ismay, where

there's just a very slight indication of commercial reservoir, and perhaps with horizontal technology we could effectively develop even that part of the reservoir.

Now, that's a different log. That's not the 8. I mean, so there is buildup in the Lower Ismay in this Ute 16, and the Upper Ismay. So they are -- Stratigraphically, those three accumulations do occur across the structure.

Q. Is there a potential for horizontal drilling in the Barker Creek?

A. There could be. Again, we'd like to test the opportunity -- the technology, and with the thought that possibly we would try it down in the lower zone also. We'd like to see if we mechanically can do it, and this would be the way to try.

EXAMINER CATANACH: Okay, I have nothing else.

EXAMINATION

BY MR. STOVALL:

Q. Okay, I just have -- Mr. Hornbeck, just so I briefly understand the structure here, looking at Exhibit E, your first structure map, the Greenhorn --

A. Yes.

Q. -- am correct in interpreting that, that what

you've got is coming from northeast to southwest, is it's coming out of the basin, it's a rising structure on the Greenhorn, the greater contour lines there?

A. Are you looking at the regional?

Q. The regional map, yes, the first page behind that.

A. What you're seeing is -- Yes, that whole area to the northwest of the northeast-southwest-trending structure contours, which is actually the hogback monocline, to the northwest of that is the Four Corners platform.

And on that, the rocks such as the Dakota, which are at depths as great as 9000 feet in the central part of the San Juan Basin, are only 1000 or 2000 feet.

So it's a big, high structural terrace, essentially, a large regional feature.

Q. And that's where the dome sits, out --

A. That is correct.

Q. Okay.

A. It's outside the San Juan Basin proper.

MR. STOVALL: Got you. That's all I wanted to know.

MR. KELLAHIN: I'd like to recall Scott Daves in this case and have the record reflect that he has

already qualified as an expert petroleum engineer and continues to testify in that capacity in this case.

EXAMINER CATANACH: The record shall so reflect.

SCOTT B. DAVES,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Daves, let's talk about the reservoir engineering aspects of this particular project for this pool.

Mr. Hornbeck has given us a geologic view of what he views the opportunity is for Meridian.

Give us your summary of what you see as a reservoir engineer.

A. Primarily two things that I see are -- There are two reservoirs there. There is the Lower Barker Creek reservoir, which currently is in a pressure area. The reservoir pressure is approximately 650 p.s.i., and it makes a gas that has about 15 percent CO_2 and 1 to 1.5 H_2S, very distinct gas.

When you look at the upper zones, the Ismay and the Desert Creek, you see an entirely different gas at approximately 3500 pounds of reservoir pressure.

The gas that you see in the upper zones has little or no CO_2, less than one percent, approximately .05 percent H_2S. So it's a completely distinct gas, a completely distinct reservoir from a pressure gas standpoint.

The Lower Barker Creek makes water. These upper zones in the tests that we've done, almost no water at all to speak of.

Q. When you look at the opportunity for a horizontal well, why has Meridian selected the Ute 8 well?

A. Initially, when we plugged back the lower zones and came up, we tested Desert Creek, the Lower Ismay and the Upper Ismay, and we had what we thought initially was a significant show in the Upper Ismay. It tested at over 3 million a day when we brought it on. It displayed a very hyperbolic decline. It declined extremely rapidly, down into the neighborhood of about 200 MCF a day.

We produced the well for a set period of time, and then we shut the well in and did a fairly extensive buildup test.

When we did the buildup test, what we did is, we combined what geology we knew with what the pressure data was showing us.

And what we identified was a very limited reservoir. In fact, we were able to, within a certain amount of reason, identify the dimensions of what we saw, and that confirmed our inclinations that what we had was a compartmentalized reservoir.

Q. When you look at the existing well spacing for the wells that are already producing, why have you chosen to orient the direction of this lateral as you have to the north and west?

A. Primarily to honor the geology that we see, that -- We initially thought that we would pursue it in a northerly direction, but as we began to identify that the Ute 4 was a producing well, we did not want to compete with the reserves that we could see that it could drain.

So we felt like if we veered off in the direction that we did, we would reach out into completely different reservoir -- or not completely different reservoir, but new reservoir, and be able to drain those reserves, and which we would probably not do any other way.

Q. Have you approximated the location of this lateral so that you would not be competing for reserves that would be produced from either the Number 12 well or the Number 4 well, which is up in Section 10?

A. Right, right. That was the primary reason for the direction.

Q. Have you any estimates or opinions concerning the current drainage areas being effectively depleted by either the Number 12 well or the Number 4 well?

A. Well, there again, the Number 12 is an entirely separate reservoir operating in different conditions than is the 4.

But yeah, with the 4 we feel like if we move out of what we would estimate as a primary drainage area, that we should be able to reach reserves that we will not reach in any other way.

Q. Can you estimate in terms of acreage or in distances an approximation for the drainage pattern for the Number 4 well?

A. It's probably unrealistic to estimate it right now in the sense that the well's only been on for six months.

We're seeing a similar behavior that we saw in the 8, and after we've produced it for six months we're going to analyze it identically to how we did the 8, to be able to identify all that.

Q. Do you see any problems that are created if we go ahead and approve this two-section project area for the horizontal well and continue to produce the

Number 12 well in its portion of that same spacing unit?

A. No.

Q. Producing out of different portions of the reservoir?

A. Right, right.

Q. And would this information then give you the opportunity as a reservoir engineer to evaluate not only horizontal technology but what should be an appropriate set of rules and procedures to effectively and efficiently maximize recovery from the pool?

A. Exactly.

MR. KELLAHIN: That concludes my examination of Mr. Daves.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Daves, have you looked at actually the drainage characteristics of the Barker Creek interval?

A. Uh-huh.

Q. And is it your opinion that that's -- generally, wells drain only 320 acres?

A. They're spaced on 640 acres, and that's a good drainage pattern for those wells.

Q. You've got no evidence at the current time about the Ismay zone?

A. Only that what evidence we do have shows that there is -- in the case of 8 in particular, that there is a high degree of something limiting your drainage area.

EXAMINER CATANACH: I don't have anything else, Mr. Kellahin.

MR. KELLAHIN: Call at this time Mr. Eric Bauer.

ERIC R. BAUER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation?

A. My name is Eric Bauer. I'm a drilling engineer for Meridian Oil in Farmington, New Mexico.

Q. On prior occasions, Mr. Bauer, have you testified as a drilling engineer before the Division?

A. Yes, I have.

Q. And pursuant to your employment, have you participated in the drilling program for this particular project?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Bauer as an

expert drilling engineer.

EXAMINER CATANACH: Mr. Bauer is so qualified.

Q. (By Mr. Kellahin) Let me have you take -- There's a large copy of the display up on the wall, but there are similar copies of that same display contained in the exhibit book. If you'll look at Exhibit C, move past the first exhibit and open up, then, the colored display.

Let me have you take us through the plan for the drilling of the well, starting with how you propose to re-enter the existing well, and give us a summary how Meridian is going to accomplish the drilling portion of the project.

A. Okay. First of all, Mr. Examiner, we're going to set a cast iron bridge plug below our kickoff point.

Then we're going to set a cement kickoff plug, very densified cement, and mill a section of 60 foot, and then ream that section out to a 12-inch diameter.

Then we're going to add some more cement another cement plug, actually the same slurry, a kickoff plug, and we will go in with a building assembly and build at 17 degrees per 100 foot, which is

illustrated on this Exhibit C, this spread-out one and the one you have right in front of you.

We will continue at that build rate, that planned build rate, to 80 degrees. And at that point, at 80 degrees, we will trip back out of the hole and go in with a smaller building assembly, a steerable assembly, and set that at five degrees per 100 foot. And that will allow us to fine-tune our inclination and azimuth and put the wellbore directly where we want it.

We can -- With that five-degree-per-one-hundred-foot tool, we can get a maximum of eight degrees build if we set it that high, or we can go to zero-degree build.

Q. Once you've drilled to the maximum length of the lateral, to that end point, what then do you do to the well in order to complete it for production?

A. Okay, we're going to go ahead and stimulate the well with acid, and then we will run a 4-1/2 plugged and perf'd liner and hang that in the existing 7-1/2 inch above our kickoff point, in the vertical portion.

Q. Let's go back, now, to the plan views, which is shown behind Exhibit Tab B, and let's look at the dimensions for the proposed drilling window, starting with the Ute 8, and give us the estimate, then, of the

maximum distance that you will need for the drilling window when we approach the northwest corner of the spacing unit.

A. Okay, we plan to use an azimuth of 330 degrees, and you'll see a 30-60-90 triangle on this page, under Exhibit B. The reason we chose that, once again, was to go for the thickest part of the sequence.

And we plan to -- Using those build rates I described earlier, the 17-degrees-per-100-foot to 80 degrees and the five degrees for that soft landing till we hit the 89-degree point, we calculated out that it would be 2932-foot vertical section from the Ute 8 wellbore to a point in Section 16 where we are at exactly 990 feet from the north of that section, the north section line.

Q. Would a nonstandard spacing unit consisting of all of Sections 15 and 16, with a drilling producing window setback, so that you could produce within that spacing unit, so long as you were no closer than 990 to the north boundary or 1650 from the other three dimensions, provide Meridian as the operator the appropriate flexibility to execute this plan?

A. Yes.

MR. KELLAHIN: That concludes my examination of Mr. Bauer.

We move the introduction of Exhibits B and C.

EXAMINER CATANACH: Exhibits B and C will be admitted as evidence.

EXAMINER CATANACH: I guess the only thing I would ask is that if you guys could provide me a detail of the drilling procedures as were explained on the record by the witness --

MR. KELLAHIN: Okay, sure, be happy to.

EXAMINER CATANACH: And I think that's all I have.

MR. KELLAHIN: All right. The last Exhibit, then, Mr. Examiner, is Exhibit I, which is the certificate of mailing, went to the BIA and to the Ute Mountain Ute Tribe.

We do have the active support of the tribe for the execution of this project, and they've encouraged us to go forward.

With the introduction of that exhibit, that completes our presentation.

EXAMINER CATANACH: Exhibit I will be admitted as evidence, and there being nothing further in this case --

MR. FOUST: I've got a request, David, for Meridian -- I guess they don't have an extra copy -- to provide a copy of the exhibits to Ernie.

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 April 26th, 1993.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10702, heard by me on April 8 1993.

David R. Catanach, Examiner
Oil Conservation Division