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:

APPLICATION OF NEARBURG EXPLORATION COMPANY

CASE NO. 11,012

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

June 23, 1994

Santa Fe, New Mexico

JUL 27 1994

This matter came on for hearing before the Oil Conservation Division on Thursday, June 23, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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Examiner Hearing
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A P P E A R A N C E S

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* * *

WHEREUPON, the following proceedings were had at 11:16 a.m.:

EXAMINER STOGNER: Okay, call next case, Number 11,012.

MR. CARROLL: Application of Nearburg Exploration Company for compulsory pooling and unorthodox gas well location, Eddy County, New Mexico.

EXAMINER STOGNER: Call for appearances.

MR. KELLAHIN: May it please the Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of the Applicant.

May the record reflect, Mr. Examiner, that my two witnesses are already sworn and that they continue under oath.

In addition, I'd like the record to reflect that they have been qualified as expert witnesses and continue to testify in that capacity.

EXAMINER STOGNER: Since there's no other appearances, let the record show that Mr. Shelton and Mr. Elger, who presented testimony in Case 11,010, are still under oath, and their qualifications have been accepted.

Mr. Kellahin, you may continue.

MR. KELLAHIN: Call Mr. Shelton.

ROBERT G. SHELTON, JR.,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Shelton, let me direct your attention to your efforts with regards to the consolidation of interest owners for the Fairchild well.

You're proposing a spacing unit in the north half of this Section 18?

A. Yes, sir, that is correct.

Q. Would you take Exhibit 1 and help us locate where that is?

A. This is an exhibit land map, Midland Map Company, Township 19 South, 26 East. You see the town of Lakewood located approximately four miles northwest of there.

Section 18, Township 19-26, our proposed location, is 660 feet from the north and west lines with a north-half of Section 18 spacing unit.

Q. Okay, let's look at Exhibit 2. You're utilizing a similar format as that presented for this type of an exhibit in the prior case?

A. Yes, sir, that's correct, the only distinction here being is we show not only Section 18 but we also show three surrounding and contiguous sections to the north,

northwest, and west, Section 7 in 19-26, Sections 12 and 13 in 19-25, the division line of the township being that between Section 12 and Section 7.

Q. And that's because this proposed well is at an unorthodox well location?

A. That is correct.

Q. The spacing unit in the north half, to the best of your knowledge, is that a standard 320-acre spacing unit?

A. Yes, sir, we believe so, for a gas well at this depth or depth below the Wolfcamp formation, all spacing would be on 320-acres.

Q. And that is your proposal in this case, is to pool or consolidate by voluntary agreement all mineral interest owners from the top of the Wolfcamp to the base of the Morrow?

A. That is correct.

Q. Show us how the north half of Section 18 is subdivided into tracts.

A. We have subdivided it by tract of ownership, being two tracts in the northeast quarter, divided east-west, and four tracts divided in the northwest quarter by quarter-quarter section.

Q. To each of those tracts you've assigned a letter?

A. Yes, I have, letters A through F.

Q. All right. And at the top of the display, then, you have further identified as to each tract who are the working interest owners or, in the absence of a working interest owner, the mineral owner?

A. That is correct. At the time this exhibit was prepared, you will see up at the top what Nearburg Exploration Company's interest is in each of these tracts as a leasehold position.

And then in each of the other tracts at the time this was prepared, you will see the proportion of ownership by either the unleased mineral interest owner or the leasehold owner.

Q. Okay. Attached to the display are a series of names and addresses. The tracts attached to the display are identified not by letter but by Roman numeral?

A. That is correct.

Q. What does that represent?

A. The south half of Section 7 shows on Tract Roman numeral III attached, unleased mineral interest owners or other leasehold owners who received notification of our unorthodox location.

Likewise in the south half of Section 12 and the north half of Section 13, Tracts I -- Tract Roman numeral I and -- It looks like it should be Tract Roman numeral II in the south half of Section 13 -- the north half of Section

13. The north half of 13 is shown as Tract II, instead of just Tract Roman numeral III as shown on the exhibit.

Q. We will be correct if we look at the written description, as opposed to the tract number, when we look at the attachments?

A. That's correct, the written description, that's correct.

Q. The written description, then, will show us the right half-section?

A. That's correct.

Q. All right. The purpose, then, was to have a list of interest owners to identify with regards to encroachment of the well towards their spacing unit?

A. That is correct.

Q. To the best of your knowledge, is that list -- are those lists correct?

A. I think the way these were attached, there's a page missing, Tom.

Q. All right.

A. So we need to -- on Section 12.

Q. All right, we'll make that correction.

A. We'll make those corrections, yes, sir.

Q. All right. But they're -- You have available to you a complete list of all those interest owners that would be affected by the nonstandard location, and notification

has been sent to all those people?

A. That is correct.

Q. As a result of that notification, have you received any objections?

A. No, sir, we have not. We've discussed with one leasehold owner to the west and consulted with them, but we've had no objection to it and no one here present to object.

Q. All right. Let's deal now within the spacing unit --

A. Okay.

Q. -- with those parties that you've attempted to reach an agreement, and let's look at the summary that shows the north half of 18.

A. Okay.

Q. Identify for us those entities or individuals for which, as of today, you have no agreement.

A. As of today we have no agreement, you'll see, under Tract E for Lucy A. Robinson, Ernest Koen and Mrs. Barker.

Q. Okay.

A. We have reached agreements with Marvin Yates -- Martin Yates, III, or his estate, and Lillie Yates.

We have also reached an agreement with the Moore individuals and the estate of Stephen Scott Moore.

So this leaves a very small interest outstanding that has not been voluntarily agreed to.

Q. In the summary, then, it's Lucy A. Robinson with .125; Ernest Koen, .125; and Buena Barker, .140625?

A. That's correct, percents, that's correct.

Q. Yes, sir.

A. Less than one percent.

Q. Let's deal with your efforts in a summary fashion, then, to locate and, if you were successful in locating, whether you were able to have any discussions with any of those three.

A. Lucy A. Robinson, we have determined only within the last couple of days, is now deceased. We did send to her by general delivery in the last known address, which is Carlsbad, a copy of our well proposal and an AFE and operating agreement. It was undeliverable and returned.

Likewise, Ernest Koen the same way; he's unlocatable. We did send by general delivery to his last known address a copy of the proposal letter, AFE and operating agreement. It was also returned, not deliverable.

We did send to Mrs. Barker a copy of our proposal, the operating agreement and the AFE. We have had no conversations directly with her. A broker that works for us, Randy Watts, has recently been in contact. We

believe she will execute an oil and gas lease to us subsequently. We have no agreement with her right now.

Q. Having found that Lucy Robinson is deceased, have you gone to the additional effort to try to identify her potential heirs?

A. Yes, sir, we have. We've determined that those heirs are -- excuse me, let me refer to -- one daughter by the name of Murray Batterson and a son by the name of F.W. Robinson. Both of those people we have been unable to locate.

Q. In your opinion, have you made a good-faith and diligent effort to identify, locate and attempt to reach agreement with all those parties for which you do not have an agreement as of today?

A. Yes, sir, we have.

Q. Let's identify for the record what is marked as Exhibit 3.

A. Exhibit 3 are the letters and the attached Federal Express receipts, showing again that the proposal was made for the drilling of the Fairchild East 18 Number 1 Well.

It proposes the well at the location of 660 feet from the north and west lines of Section 18, sets forth in the letter that we've provided them with an operating agreement if they choose to participate, sets forth the

cost of the proposed operations, and an opportunity to either grant an oil and gas lease or sell their interest at a negotiable price.

Q. Okay. Let me have you turn now and identify Exhibit Number 4. What does that represent?

A. Exhibit Number 4 is an AFE that was prepared by Nearburg Producing Company in regard to the drilling of this well.

Q. And this is the same AFE that was circulated to the parties shown on Exhibit Number 3?

A. Yes, sir, it's the AFE, identical form, with the same costs that was supplied to all the potential participants.

Q. Do you have an opinion as to whether the estimated costs for this well are fair and reasonable?

A. Yes, sir, after research and looking over other AFEs furnished to us by other companies in the area, we find this to be a reasonable estimate of well costs.

Q. Do you have a recommendation to the Examiner for the overhead rates to apply in this case?

A. Yes, we'd like the overhead rates in this case -- We have applied for overhead rates of $6000 and $600: $6000 drilling well rate, $600 producing well rate. We feel like to be consistent in the area with other operations that we are currently proposing, we feel like the drilling well

rate of $5664 and a producing well of $560 per month would be fair and equitable.

Q. Let's look at the operating agreement, Exhibit 5. Would you identify and describe that display?

A. This is an operating agreement covering the proposed spacing unit, the north half of Section 18. The operating agreement was prepared for circulation and reviewed by those parties who might choose to participate in the well. It's signed by us.

And as you will note, it lists a large number of people that at this time are uncommitted. And again, we only have three people now that are not committed by one form of voluntary agreement.

Q. Is this 1982 agreement, as amended, the customary operating agreement that Nearburg Producing Company uses in this area for wells of this type?

A. Yes, sir, it is.

Q. What are your plans for commencing the well?

A. We anticipate commencement of this well -- We've got several wells we intend to drill in this area. Depending on how quickly we can get this well ready, both titlewise and through an order through the Commission, we anticipate commencing most of these wells back to back utilizing one rig. And so we expect this one to be drilled in an orderly fashion in conjunction with several other

wells.

Q. Is this case like the prior case we presented to the Examiner whereby the Applicant is Nearburg Exploration Corporation as an owner --

A. That is correct.

Q. -- but a proposal to designate Nearburg Producing Company as the operator of the well?

A. Yes, sir, that is correct.

Q. Would the testimony you provided in the prior case with regards to that arrangement and the qualifications of Nearburg Producing Company apply in this case as well?

A. Yes, sir, they do.

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

We move the introduction of Exhibits 1 through 5.

In addition, Exhibit 6 is my certificate of mailing and notification for hearing. We would ask that that be admitted at this time, as well.

So Exhibits 1 through 6.

EXAMINER STOGNER: Exhibits 1 through 6 will be admitted into evidence at this time.

Mr. Carroll, do you have any questions?

MR. CARROLL: No.

EXAMINER STOGNER: You said there were some pages

on Exhibit 2 that was missing?

MR. KELLAHIN: Yes, sir, and that's what I'm searching for now. I'd like permission to substitute the appropriate pages to that exhibit.

In fact, what you'll find is, in the filed Application, Exhibit B to the Application represents the correct list of parties, but that list has not been subdivided as to each of those tracts.

THE WITNESS: I have the correct list, Tom, if you'd like for me to get them out and get them to you. I have --

MR. KELLAHIN: Perhaps after he leaves the stand we can do that, Mr. Examiner.

EXAMINER STOGNER: Okay. Just subsequently complete Exhibit 2 after the hearing.

MR. KELLAHIN: Yes, sir.

THE WITNESS: We will do that.

EXAMINATION

BY EXAMINER STOGNER:

Q. The list is a little confusing, but that -- the list that is provided as Tract I, that refers to Section 12, and then you refer to another one as Tract II, Roman Numeral II, Section 13 in the north half.

A. Yes, sir.

Q. These are offset properties, and it has nothing

to do with today's compulsory pooling case?

A. It has nothing to do with the compulsory pooling. It is all given in conjunction with the unorthodox location.

Those are the people that were noticed.

EXAMINER STOGNER: Any other questions?

You may be excused.

Mr. Kellahin?

MR. KELLAHIN: Call Mr. Elger at this time.

JERRY ELGER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Elger, let me direct your attention to the first of your presentations, which is shown on Exhibit Number 7. Describe for us the information you've shown on that display.

A. Exhibit Number 7 is a production map in the area of the proposed location.

Q. How does this help you begin your analysis of this area in order to take the best location for a well for any of these zones?

A. Well, you want to -- Initially, you want to key off of your stronger producers, your better producers, or

your better-looking sand sections. You can't tell that from the production map.

But the well that we're keying off of for the Morrow and for the Cisco/Canyon -- we have a dual objective here -- is located in the northwest quarter of Section 7. That well has produced close to three-quarters of a BCF of gas from the Morrow.

Q. When we look at all the penetrations and efforts in this vicinity, have any of these wells been a commercial success?

A. No, they have not.

Q. The proposed spacing unit is the north half of 18?

A. Yes, it is.

Q. And your well location would be out of the corner of the northwest quarter, northwest quarter?

A. Yes, it is.

Q. Your location is proposed to be 660 out of the north and west boundaries of that spacing unit?

A. Yes, it is.

Q. Before we look at the details, describe for me in a summary fashion what has caused you to find a location at that point in the spacing unit to be the optimum location.

A. Well --

Q. What do you achieve?

A. -- it's the optimum location, really, for the Cisco/Canyon, which we're considering to be the primary objective for this test. And we'll get into the geology of the Cisco/Canyon in Exhibits Number 8 and Number 9.

Q. If your target is primarily the Cisco and you have found the best potential place for the Cisco well, what are you doing with the Morrow?

A. The Morrow is -- Nearburg's position is that the Morrow is a secondary objective for this test. The Morrow and all formations between the base of the Cisco/Canyon and the base of the Morrow formation are secondary objectives that we feel -- Nearburg feels that the incremental cost to drill from the base of the Cisco/Canyon to the Morrow would warrant drilling the test to that depth.

Q. In the Morrow, when we look at the north-half spacing unit, is there sufficient reservoir in the Morrow to justify a stand-alone Morrow well at any location?

A. No, there is not, there is not.

Q. So you couldn't put a Morrow well at a standard location or at an unorthodox location by itself?

A. No, and when we get to the exhibits on the Morrow you'll see why.

Q. Okay. So the only way to have a chance at the Morrow is to tag it on to a Cisco attempt?

A. That is correct.

Q. And that location, then, that you have chosen is the combination by which you've attempted to pick your best location for both of those two objectives?

A. That is correct.

Q. All right. Let's see how you got to that conclusion. If you'll start with Exhibit 8.

A. I'll start with Exhibit 8 and 9.

Q. Okay.

A. Those two exhibits represent the geological information on the Cisco/Canyon formation.

Q. Let me get them folded here, just a second.

A. Exhibit Number 8 is a structure map on the top of the Canyon dolomite reservoir across the prospect area.

Exhibit Number 9 is a corresponding structural cross-section of the Canyon dolomite reservoir in the immediate vicinity of the proposed location.

These two exhibits demonstrate what forms the basis for Nearburg applying to drill this well where we have applied.

Q. All right. Let me start off with -- All the well control in the area, have any of these been successful Cisco completions?

A. No, they have not.

Q. So we're still looking for the first one?

A. We're looking for the first well.

Q. What causes you to infer the presence of limestone or the absence of a dolomite when we look at the first well in Section 12 that's at the A location on the cross-section?

A. Okay, that well was drilled by Anadarko Production Company. They ran a compensated neutron formation density porosity log throughout the well.

And if you'll notice, the Cisco/Canyon -- the carbonate section, that there's no crossplot of any dolomite section at all. It all crossplots out to be limestone, nonporous limestone.

Q. What kind of reservoir do you think you're going to find in the Cisco here?

A. We're after dolomite reservoir.

Q. Okay.

A. That's where dolomite -- alteration, diagenic alteration to dolomite is what causes the porosity and creates a reservoir within the Canyon carbonate interval.

Q. What's the significance for the Cisco of these contoured structure lines around the proposed well location?

A. The interpretation is that there's a structural nose that extends from the northeast to the -- northwest to the southeast across the prospect area.

That nose, that structural nose on the top of the

dolomite reservoir, is truncated and terminates against the limestone facies in the Canyon, on the west side of the prospect area. And that particular limestone non-reservoir facies acts as a permeability barrier and has trapped hydrocarbons on this structural nose.

Q. Is there potentially a water component to the reservoir?

A. Yes, there is.

Q. And how have you attempted to define and locate where that may be?

A. Well, Nearburg Producing Company operated quite a number of wells that you see in this area. Of course, we had access to the mud logs on those particular wells, as well as some other operators released mud logs in the area. And there's, in one instance, a drill stem test.

And what I've done is highlight or shade in blue those wells where there's an absence of mud log shows or drill stem tests in the Cisco/Canyon dolomite reservoir, which was a water-bearing test with no hydrocarbon shows.

On that basis, you can see in Section 1 at subsea minus 4391, a well in Section 12, subsea of minus 4405 -- we know that we're water-bearing in the dolomite reservoir at that subsea datum.

Q. When we go to the cross-section, Exhibit 9, find the proposed well location and show us what you're trying

to achieve with the well at this location that you cannot obtain if you have to go to the standard location.

A. Okay. Again, the key well is the well that Nearburg drilled in the northwest of Section 27, the Glass 7E.

That well was a Morrow penetration, and when the Cisco dolomite reservoir was encountered, the mud logger recorded a hydrocarbon show in the top portion of the dolomite reservoir.

That well log is portrayed by the third well from the left, from A, adjacent to the proposed location. And I've highlighted opposite where the hydrocarbon show occurred in the dolomite reservoir.

The base of the hydrocarbon show was at approximately 4400 feet subsea. That, in conjunction with the other mud loggers, where the dolomite was encountered, the top of the dolomite was encountered below 4400, strongly implies that there's an oil-water contact at approximately minus 4400, and that's the green and blue corresponding dashed line that you see running the perimeter of this map.

Q. Okay. If you put the well at the unorthodox location, what does that give you?

A. Well, it's not unorthodox for Cisco/Canyon. At the applied location it puts us on the crest of the high

part of this structural nose, and would expose the most dolomite section above that oil/water contact and therefore be available for production.

Q. All right. And if we have to move farther to the south or east --

A. -- we would be --

Q. -- so that we would be at a standard gas well location --

A. -- we would be moving downdip on the Cisco/Canyon formation, and thereby have less reservoir rock available to bear hydrocarbons. Therefore, you could assume that you would have less reserves available.

Q. You said the Cisco would be a standard location?

A. Yes, it would be.

Q. What causes you to reach that conclusion?

A. We feel like on the basis of the mud log show that we're looking at a reservoir that is very similar to -- producing reservoir that's very similar to what's producing in the Dagger Draw field and the Dagger Draw North field.

Primarily an oil production mechanism would be a water drive with -- move high volumes of fluid, oil and water, in conjunction with a submersible pump.

And the field rules for the Dagger Draw and Dagger Draw North field, to my knowledge, are 660 setbacks

from the lease lines.

Q. Are you far enough away from those pools not to be subject to those pools when you drill this initial well?

A. Yes, we are.

Q. So you're going to have to drill this initial well, if it's oil, and then you're going to be 40-acre oil spacing, you're going to get some data and then come back in and establish spacing rules?

A. That's correct.

Q. All right. But it looks to be, if you're successful, the same kind of creature we're seeing in Dagger Draw?

A. Yes, it is.

Q. Having found your best opportunity for the Cisco portion of the well at this location, show us how the Morrow fits into it.

A. I would refer now to Exhibits 10 and 11, which are an isopach map, again, of the early middle Morrow system, and that has been overlain on a structure map that's been developed on the top of the Middle Morrow.

Those units are identified on cross-section B-B', each of the genetic [*sic*] units within the Morrow, top of the Morrow clastics being the top of the middle Morrow and, of course, the base of the middle Morrow being the top of the lower Morrow.

Q. Give us a quick geologic summary of the deposition for the Morrow in this area.

A. The Morrow is deposited in this portion of Eddy County as, again, primarily a fluvial/deltaic system. You have meandering streams. Within those meandering stream systems you have point bars and channel bars develop with various geometries, principally as you see shown on Exhibit Number 10.

Q. In a regional sense, would this channel system be oriented northwest-to-southeast?

A. Again, these channel systems have a tendency to meander. They can change direction, go east-west for a while, turn back to the south.

And in this particular area, it appears that the channel system is more of an east-west orientation, and it's turning back again towards the south across Section 17 and then off the map to the southeast.

Q. In addition to the risk of trying to find the Morrow channel at all, you have a gas-water component on this display, Exhibit 10?

A. Yes, I do.

Q. What does that tell you?

A. Well, it tells me that there's a high degree of risk at the proposed location in terms of finding any potential sand in the early middle Morrow to be

hydrocarbon-bearing.

Q. That's about your only chance in the spacing unit?

A. It is. It certainly appears to be.

If I may, the two wells that are drilled in the north half of Section 7, the Nearburg Glass Number 1-7E is a gas producer from the early middle Morrow. As you can see, it's the best-developed sand within that section.

It was offset to the west by the Nearburg Rose Number 1-12A, which had no sand developed anywhere in the Morrow.

And that, in turn, was an offset to -- on the other side of the proposed location in the section northeast of 7, the Dorchester Secrest Number 1. That well has the same sand system developed in it as the Nearburg Glass 7E. A drill stem test across that sand recovered 4000 feet of formation water.

Nearburg offset that well downdip to the southeast and again encountered the sand in their Muchas Hombres Well. That well drill stem tested the sand and recovered 7500 feet of formation water.

So there appears to be structurally 85 feet of structural difference between the two wells in the north half of Section 7, the Dorchester Secrest Well being 85 feet low to the Nearburg Glass 7E.

Somewhere between those two wellbores, that sand crosses a gas-water contact and becomes water-bearing.

When you overlay the isopach of the sand on top of the structure, you'll see that -- and I've just arbitrarily picked some -- selected some interval between the two wells. I don't know exactly where the gas-water contact is, but it's somewhere between them.

You can see that the proposed location in the northeast -- northwest quarter, corner, of Section 18 is the only location available in that entire section where you might encounter this sand hydrocarbon bearing, or a portion of it.

Q. Even with the combination of an opportunity in the Cisco as well as the Morrow, what's your opinion of the risk?

A. I think there's a very high degree of risk for both the Cisco/Canyon and the Morrow.

Q. Separately or together, can you approximate for us or estimate for the Examiner what in your opinion or recommendation is the risk factor penalty to apply in this case?

A. I would recommend cost plus 200 percent.

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

We move the introduction of his Exhibits 7

through 11.

EXAMINER STOGNER: Exhibits 7 through 11 will be admitted into evidence at this time.

EXAMINATION

BY EXAMINER STOGNER:

Q. Just how far is this well from the Dagger Draw area?

A. The Dagger Draw -- The eastern margin of Dagger Draw field to date is in 19 South, 25 East, and I think it's about five to six miles farther west, due west of this development.

Q. So you're still quite far from any --

A. We're quite far from it.

Plus the oil-water contact that's defined for this prospect on the basis of the Glass 7E is a completely different oil/water contact than what's recognized over in Dagger Draw. So it has to be a completely different trap.

Q. Is this still your primary zone of interest?

A. It is, the Cisco/Canyon is.

Q. I guess I'm confused as far as the present Morrow producers. In looking at your map, Exhibit 10, are those two wells to the north -- I'm sorry, we're in Section 18. So there is no Morrow production in the south half of 7?

A. No.

Q. Nor the south half of 12?

A. No.

Q. Nor anywhere in 13?

A. No.

Q. Okay. Over in Section 18 -- those two wells are plugged and abandoned, though, aren't they?

A. Yes.

Q. And your primary zone of interest being the Cisco -- Now, you mentioned that, in your opinion, that if the characteristics of the Cisco/Canyon place it either in the Dagger Draw or new development whereby the Dagger Draw Pool rules were instituted, would be a standard location?

A. Yes, this would be a standard location.

Q. For the Dagger Draw?

A. For -- Yeah, if Dagger Draw rules were -- if they were applied to this.

Q. Applicable in this area. And you're assuming that this would be an oil producer?

A. That's correct.

The nature of the show and the mud log on Section 7 was one where shortly after penetrating the top of the reservoir, they made a bit trip, and there was an amount of brown oil that appeared on the pits in relation to that, bottoms up with the trip, suggesting that it was an oil reservoir.

EXAMINER STOGNER: I have no other questions of

this witness at this time.

MR. KELLAHIN: That concludes our presentation, with a point of clarification, Mr. Examiner.

With no established production in the immediate area, we want the opportunity to have the pooling order cover all 320 gas pools from the top of the Wolfcamp to the base of the Morrow. That would include the Cisco, if it happens to be a gas pool.

If it's an oil pool, then we're going to be on statewide 40-acre oil spacing, and it's a chicken-and-egg problem. We'll have to drill the well and get some data and then come back to you and decide what spacing is for that well.

EXAMINER STOGNER: Okay.

MR. KELLAHIN: The location, if it's approved as an unorthodox location for all gas zones on 320, would accommodate us as well in the event the Cisco turns out to be a gas well.

At this point it appears that we're pooling just a very few interest owners, total interest of which is less than one half of one percent.

EXAMINER STOGNER: In the interest of time, would you provide me a rough draft --

MR. KELLAHIN: I'd be happy to.

EXAMINER STOGNER: -- order?

MR. KELLAHIN: In addition, I will submit to you the revised Exhibit 2 that Mr. Shelton has now edited for me and has the correct identity of those offsets disclosed to you.

EXAMINER STOGNER: Okay, I'd appreciate that, Mr. Kellahin.

MR. KELLAHIN: That concludes our presentation.

EXAMINER STOGNER: If nothing else, Case 11,012, take this under advisement.

(Thereupon, these proceedings were concluded at 12:00 noon.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11012, heard by me on 23 June 1994.

, Examiner
Oil Conservation Division

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 June 28, 1994.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994