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BEFORE EXAMINER STOGNER

Oil Conservation Division

~~Heafitz~~ Exhibit No. 1

Case No. 9778

MEMORANDUM

TO: Heafitz Energy Management, Inc.

FROM: Gene Davis

Date: September 27, 1989

Subject: Arena Roja Siluro-Devonian Prospect, Skelly (Texaco)
Mexico "P" Federal #1, NW/4 Section 21, T-26-S, R-35-E, Lea County,
New Mexico

Summary

The captioned well and related acreage lies near the deeper portions of the Delaware Basin. This well was drilled in 1968 to a depth of 22,914'. Several drillstem tests were run above the Woodford shale as well as in the Simpson and lower Fusselman. A production string and liner was run to a total depth of 18,605', and the well plugged back to 15,640' where it was completed in the Atoka. Logs on this well indicated possible productive pay in the Silurian (or Siluro-Devonian) beginning at 19,380' to a depth of 19,800'. Log response and structural position are analogous to producing wells in the Evetts Field approximately 10 miles to the south in Loving County, Texas. Yet none of this possible pay was tested in the captioned well.

The fault on the east side of the geologic interpretation is based on seismic, as is the mapping of the structure.

The dashed lines just outside the -16,000' contour interval represent the gas-water contact when projected to the top of the pay. The reason for the presumed gas-water contact are based on the indication of water on the induction log.

Porosity in the Siluro-Devonian is the result of fracturing and secondary porosity development.

To properly test this Siluro-Devonian pay, the captioned well should be deepened to a minimum depth of 19,400' and all possible productive Siluro-Devonian zones would be drilled at a depth of 19,800'.