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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

EXAMINER HEARING

IN THE MATTER OF:

Application of Bridge Oil, Inc.
for an unorthodox oil well location, Case 10028
Lea County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
August 8, 1990

ORIGINAL

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1 P R O C E E D I N G S

2 HEARING EXAMINER: Call next case, No. 10028.

3 MR. STOVALL: Application of Bridge Oil (U.S.A.)
4 Inc. for unorthodox oil well location, Lea County, New Mexico.

5 HEARING EXAMINER: Call for appearances.

6 MR. VANDIVER: Mr. Examiner, my name is David
7 Vandiver of the firm of Fisk & Vandiver in Artesia appearing on
8 behalf of the Applicant, Bridge Oil Company. And I have two
9 witnesses to be sworn.

10 HEARING EXAMINER: Are there any other appearances?

11 Will the witnesses please stand and be sworn.

12 RICHARD M. ROLLOW,
13 the witness herein, after having been first duly sworn upon his
14 oath, was examined and testified as follows:

15 HEARING EXAMINER: Mr. Vandiver.

16 EXAMINATION

17 BY MR. VANDIVER:

18 Q. Mr. Rollow, state your full name and your place of
19 residence please, sir.

20 A. Richard M. Rollow, Dallas, Texas.

21 Q. What's your occupation and by whom are you employed,
22 Mr. Rollow?23 A. I am employed by Bridge Oil Company L. P. I am
24 district landman.

25 Q. And the Applicant in this case, contrary to the

1 advertisement, is Bridge Oil Company L. P. rather than Bridge
2 Oil (U.S.A.) Inc.; is that correct?

3 A. That's correct.

4 Q. Mr. Rollow, have you previously testified before the
5 New Mexico Oil Conservation Division; had your qualifications
6 as a petroleum landman accepted and made a matter of record?

7 A. Yes, I have.

8 Q. Are you familiar with the title to the land within
9 the proposed spacing unit for the well which is the subject of
10 this application and the adjacent lands?

11 A. Yes, I am.

12 Q. Are you familiar with Bridge Oil Company's
13 application for approval of an unorthodox location on Case
14 No. 10028?

15 A. Yes.

16 MR. VANDIVER: Mr. Examiner, I tender Mr. Rollow as
17 an expert witness in petroleum land matters.

18 HEARING EXAMINER: Mr. Rollow has so qualified.

19 MR. STOVALL: Mr. Examiner, if I may interrupt at
20 this point I'd just like to clarify one thing just for the
21 record.

22 EXAMINATION

23 BY MR. STOVALL:

24 Q. It's advertised as Bridge Oil (U.S.A.) Inc. and you
25 are saying the Applicant is actually Bridge Oil Company L. P.?

1 A. Right.

2 Q. What's the relationship between --

3 A. Bridge Oil Company (U.S.A.) Inc. is the general
4 partner of Bridge Company L. P. It's one and the same company.

5 Q. Of I assume the L. P. then is a limited
6 partnership --

7 A. That's correct.

8 Q. -- funded for limited activities?

9 A. Correct, concerning operatorship of different areas.

10 MR. STOVALL: Nothing further on that.

11 MR. VANDIVER: I think the reason the advertisement
12 was wrong is because they had first requested administrative
13 approval, and the letterhead just said Bridge Oil (U.S.A.) Inc.

14 MR. STOVALL: I think that's correct, and I don't
15 think it's a defect requiring any correction.

16 EXAMINATION

17 BY MR. VANDIVER:

18 Q. Mr. Rollow, what briefly does Bridge seek by its
19 application in Case No.. 10028?

20 A. Bridge Oil Company L. P., the operator, seeks the
21 approval of the commission to drill an unorthodox location in
22 the north half of the Northeast Quarter of Section 12, 16
23 South, 36 East, Lea County, New Mexico.

24 Q. And Bridge first sought administrative approval of
25 this application; is that correct?

1 A. That's correct.

2 Q. What's the proposed spacing unit for your well?

3 A. 80 acres.

4 Q. What's the name of the well?

5 A. The Roy Anderson No. 1.

6 Q. When you say 80 acres, that's the north half of the
7 Northeast Quarter of Section 12?

8 A. That's correct.

9 Q. What is the location of the proposed well?

10 A. The proposed location of the well is 2310 from the
11 east line, 990 from the north line.

12 Q. What's the primary objective formation you seek to
13 test?

14 A. The Strawn formation.

15 Q. Mr. Rollow, is north half Northeast Quarter of
16 Section 12 near any pools?

17 A. Yes, it is. It is within one mile of the Northeast
18 Lovington-Pennsylvanian pool.

19 Q. And do the special rules and regulations for the
20 Northeast Lovington-Pennsylvanian pool provide for spacing
21 units and well location requirements?

22 A. Yes, they do.

23 Q. What's the size of the spacing units for wells
24 within the pool?

25 A. 80 acres.

1 Q. And what are the well location requirements?

2 A. Within 150 feet of the center of the governmental
3 quarter quarter section of the lot.

4 Q. And the reason for Bridge's application is that
5 proposed wells not within the 150 feet of the center of the
6 Northwest Quarter Northeast Quarter Section 12?

7 A. That's correct.

8 MR. VANDIVER: Mr. Examiner, I'd ask that you take
9 administrative notice of the special rules and regulations for
10 the Northeast Lovington-Pennsylvanian pool which is Case No.
11 4172, Order No. 3816.

12 HEARING EXAMINER: Order No. R-3816, I'll take
13 administrative notice of that.

14 Q. (BY MR. VANDIVER) Mr. Rollow, identify Exhibit 1,
15 what's been marked for identification as Exhibit 1, and
16 describe what that is, please.

17 A. This is a land plat showing the location of where
18 our Strawn well is to be drilled in the north half of the
19 Northeast Quarter of Section 12. It identifies in the shaded
20 area the 80-acre proration unit.

21 Q. And is the location of the proposed well also shown
22 on that plat?

23 A. Yes, it is.

24 Q. The draftsman took a little liberties in showing
25 where the location is, but in any event, the 990 feet from the

1 north line and 2310 from the east line is shown on the plat.

2 A. Also like to make a note that it does say 11,800
3 foot Mississippian test, that's incorrect also. That should be
4 a Strawn test. It was a typographical error.

5 Q. Is the location for the well orthodox for any other
6 formation other than the Pennsylvanian?

7 A. Yes, it is.

8 Q. Are the various operators of the offsetting tracts
9 shown on this plat?

10 A. Yes, they are.

11 Q. Who owns the tracts to the west and south of the
12 proposed spacing unit?

13 A. Bridge Oil Company L. P. owns the Northwest Quarter
14 and also the south half of the Northeast Quarter of Section 12.

15 Q. You are the -- Bridge is the operator of those
16 tracts?

17 A. That's correct.

18 Q. With regard to the working interest owners who own
19 interests in the spacing unit for the proposed well, do any of
20 those working interest owners also own interests in the
21 leasehold estate in the Northwest Quarter and the south half of
22 the Northeast Quarter of Section 12?

23 A. Yes, they do.

24 Q. And are there also other Strawn wells in the area
25 shown on this plat?

1 A. Yes, there is.

2 Q. Mr. Rollow, are Exhibits 2 and 3 affidavits of
3 mailing prepared by my office at your request reflecting
4 service pursuant to Rule 1207 on the offsetting operators and
5 owners of undrilled leases?

6 A. Yes, they were.

7 Q. And are there also unleased mineral owners adjacent
8 to the spacing unit?

9 A. Yes, there are.

10 Q. And that's the reason there are so many people
11 served; is that correct?

12 A. That's correct.

13 Q. And does Bridge have a witness available to present
14 testimony as to the geology in the area and the geological
15 necessity for the unorthodox location?

16 A. Yes, we do.

17 Q. Were Exhibits 1, 2, and 3 prepared under your
18 direction and control?

19 A. Yes, they were.

20 MR. VANDIVER: Mr. Examiner, I would move admission
21 of Applicant's Exhibits 1, 2, and 3, and that concludes my
22 direct examination of Mr. Rollow.

23 HEARING EXAMINER: Exhibits 1, 2, and 3 will be
24 admitted into evidence.

25 Are there any questions of Mr. Rollow?

1 MR. STOVALL: Yes. Just want to clarify one point.
2 Get what's your understanding correctly.

3 EXAMINATION

4 BY MR. STOVALL:

5 Q. You stated that the working interest owners in the
6 Northwest Quarter and the south half of the Northeast, they are
7 working interest owners who are also in the north half of the
8 Northeast?

9 A. That's correct.

10 Q. Are the interests owned are not uniformed throughout
11 the north half of the section however, are they?

12 A. That's correct, they are not uniform.

13 Q. Are all the working interest owners the same?

14 A. No, sir, they are not. Actually three of the
15 working interest owners have the same interest in the entire
16 north half of Section 12, and then there are an additional
17 three working interest owners that only have an interest in
18 the -- no, that's incorrect. They have purchased an interest
19 in the entire north half of Section 12.

20 Q. So the working interest are --

21 A. All the same.

22 Q. -- are uniform. Except for now you did say there
23 were some unleased tracts in the north half; is that correct?

24 A. No, sir, not in the north half of Section 12.

25 Q. Okay. Where were they?

1 A. The unleased tracts were on the offset acreage.

2 Q. In different sections?

3 A. Yes, sir. In Section --

4 Q. Okay.

5 A. Section 7 to the east.

6 MR. STOVALL: I have nothing further.

7 MR. VANDIVER: If I could have one more question,
8 Mr. Examiner.

9 HEARING EXAMINER: Yes, Mr. Vandiver.

10 FURTHER EXAMINATION

11 BY MR. VANDIVER:

12 Q. With regard to the affidavits which were marked as
13 Exhibits 2 and 3, have all offsetting operators and owners of
14 unleased mineral interests which are within your knowledge been
15 served notice of this hearing?

16 A. Yes, they have.

17 MR. VANDIVER: That's all I have, Mr. Examiner.

18 MR. STOVALL: I do have one more.

19 FURTHER EXAMINATION

20 BY MR. STOVALL:

21 Q. Royalty interests in the north half of the section,
22 are they uniform throughout or are there various leases and
23 interest owners involved?

24 A. They are not uniform throughout. There is a
25 difference between the Northwest Quarter and the north half of

1 the Northeast, and the south half of the Northeast Quarter.

2 Q. But have all --

3 A. The State of New Mexico owns the south half of the
4 Northeast Quarter. And they are individual fee leases in the
5 remaining balance for the north half.

6 Q. But all of the interests are leased and are subject
7 to --

8 A. That's correct.

9 MR. STOVALL: Okay.

10 HEARING EXAMINER: No further questions of this
11 witness? Fine. He may be excused.

12 Mr. Vandiver.

13 MR. VANDIVER: I call Larry Seright, Mr. Examiner.

14 HEARING EXAMINER: I am sorry, what?

15 MR. VANDIVER: Larry Seright.

16 HEARING EXAMINER: Okay.

17 LAWRENCE J. SERIGHT,

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

20 EXAMINATION

21 BY MR. VANDIVER:

22 Q. Mr. Seright, please state your full name and your
23 place of residence.

24 A. Full name, Lawrence J. Seright. And I live in
25 Midland, Texas.

1 Q. How do you spell Seright?

2 A. S-e-r-i-g-h-t.

3 Q. What's your occupation, Mr. Seright?

4 A. Petroleum geologist.

5 Q. And you are a consultant for Bridge Oil Company

6 L. P.?

7 A. Yes. I am the exploration manager for mineral
8 office and I work as consultant on a yearly contract basis.

9 Q. Mr. Seright, you have previously testified before
10 the New Mexico Oil Conservation Division as a petroleum
11 geologist, had your qualifications accepted and made a matter
12 of record?

13 A. Yes, they have.

14 Q. Are you familiar with the available geological data
15 in the area of the proposed Roy Anderson No. 1 well which is
16 the subject of this application?

17 A. Yes.

18 Q. How are you familiar with that information?

19 A. Well, primarily by working the area for quite a few
20 years and prospecting and evaluating the area.

21 Q. Did you pick the location for the proposed Roy
22 Anderson No. 1 well?

23 A. Yes, I did.

24 Q. And have you made a geological study to reach
25 certain conclusions with regard to the subject well?

1 A. Yes, I have.

2 Q. And are you familiar with Bridge Oil Company's
3 application in Case No. 10028?

4 A. Yes, sir, I am.

5 MR. VANDIVER: Mr. Examiner, I would tender
6 Mr. Seright as an expert petroleum geologist.

7 HEARING EXAMINER: Mr. Seright is so qualified.

8 Q. (BY MR. VANDIVER) Mr. Seright, please identify
9 what's been marked for identification as Applicant's Exhibit 4
10 and describe what that is, please.

11 A. All right. Exhibit 4 is a regional production map
12 showing the proposed location, the arrow showing the proposed
13 location which is approximately two miles east of Lovington and
14 is just on the north end of the Northeast Lovington Strawn
15 producing area. And the map shows, of course, in color
16 surrounding production in the location of the Lovington
17 Northeast Strawn in relation to where we're drilling.

18 Q. What is the nature of the Strawn formation in the
19 area of the Northeast Lovington Pennsylvanian pool?

20 A. The reservoir there is a series of algal mounds or
21 reefs that are developed within the Strawn, which is
22 Pennsylvanian age, and these mounds are in size from one to
23 approximately six wells. And they are small, isolated little
24 pods. Quite risky in drilling for. And it is very imperative
25 that you have good definition of where you want to drill.

1 The primary tool used in this area by almost all the
2 operators has been seismic tool to identify seismic reef
3 anomalies. And it takes a detailed, pretty good detailed grid
4 of seismic to do this because of the smallness of the pods or
5 of the mounds. And you have to have very close grid to be able
6 to pin them down because it is very essential that you drill
7 where you have the most backup and seismic information.
8 Because one location either way and you can end up with a dry
9 hole very easily. And that's happened frequently in the
10 Northeast Lovington Strawn area.

11 Q. If you would identify what's been marked for
12 identification as Applicant's Exhibit 5 and describe what that
13 is, please.

14 A. Yes. That is a geologic discussion on the prospect
15 itself. It goes into some detail on the reservoir that we're
16 drilling for which is the Strawn. The procedure used to detail
17 the Strawn and to find the parameters of individual mound
18 within which to drill goes in -- goes into a detail also on the
19 risk involved, which is extremely high in drilling for this
20 particular reservoir. And then it -- well, some of this we'll
21 get into later. But that's the basic background of the
22 write-up.

23 Q. All right, sir. Now if you could identify
24 Applicant's Exhibit 6 and describe what that is, please, sir.

25 A. Exhibit 6 is a Strawn structure map which is mapped

1 on top of the lower Strawn, which is our objective.

2 Q. Could I ask you if this is this a geologic
3 interpretation that you've made with regard to the Strawn
4 and --

5 A. This is a combination seismic and subsurface map.
6 And I have helped on the mapping of it as far as the subsurface
7 is concerned.

8 Q. And this shows the top of the Strawn formation?

9 A. Top of the lower Strawn.

10 Q. What's the nature of the control in the area?

11 A. Scattered subsurface control, which is of very
12 little use in exploring for these mounds. The basic data on
13 the map is a series of seismic lines.

14 Q. And those are marked in orange on the map?

15 A. The seismic lines are shown just as black lines with
16 shot points. The orange on the map identifies the seismic
17 Strawn reef anomalies identified off of the various lines,
18 which is used to isolate the mounds. The orange lines indicate
19 the -- help indicate the actual size of the mounding and the
20 extent of it. And what you are really looking for here is a
21 cluster of these anomalies to -- within which to drill. And
22 it's very essential that you get in the middle of these
23 anomalies, because the risk you can go one way or the other,
24 where you are losing your control on it and very likely end up
25 with a dry hole. So it's essential that you stay within the

1 cluster.

2 Q. And the area of your proposed well contains a
3 cluster of such anomalies?

4 A. It does. We have five seismic lines to the prospect
5 area with a reasonably detailed grid which is absolutely
6 necessary to help identify your prospect area. The more the
7 better actually. But we feel that we have sufficient there to
8 base a prospect on.

9 Q. And are there other Strawn wells in the area of the
10 proposed well shown on this map in connection with the seismic
11 data that was available for those wells?

12 A. Yes, there is. There is a well in the northeast to
13 the southeast that was drilled by a Foran Oil Company last
14 year.

15 Q. Excuse me. That's northeast southeast of
16 Section 12?

17 A. I am sorry, yes. The northeast to the southeast of
18 Section 12, correct. This well was drilled last year. Foran
19 was the operator. We participated in the well.

20 What you see here is kind of a case in point. What
21 you can run into as far as the size of an anomaly or of a mound
22 sequence. On the map it shows the well was completed from the
23 Strawn. You will see on the map that you have very short
24 limited seismic anomaly shown on the map. And this really
25 relates to the type of well that you can anticipate as far as

1 reserves. There is a very good relationship. This well
2 started off making approximately 450 barrels a day a little
3 over a year ago. And it's down to 45 barrels a day now. And
4 on the initial drillstem test we had a drawdown on the shut-in
5 pressures. So we knew from the start that we were going to
6 have a problem there. But what I am saying is in relation --
7 relating this particular well and the anomalies related to it
8 in relation to what we're going to drill is obviously quite
9 different. And we -- one of the main reasons we drilled this
10 well, it was not all for Strawn, it was for Wolfcamp also,
11 which is kind of a 50/50. And we would not have drilled that
12 well just for the Strawn because of the lack of sufficient
13 seismic backup.

14 Q. Anything further with regard to Exhibit 6?

15 A. No. I think that pretty well tells the story. It
16 still gets back to using seismic as the tool to explore with,
17 and without it you are going to have a dry hole in all
18 probability.

19 MR. ROLLOW: Did you want to identify what the pink
20 outline is on the map?

21 A. Well, the pink outline on the map is AMI that we
22 have outlined.

23 Q. (BY MR. VANDIVER) All right, sir. Identify Exhibit
24 7 and describe what it is, please.

25 A. Exhibit 7 is a segment of a line. It's an east-west

1 line going through the prospect area. And it is primarily to
2 show what a seismic reef anomaly looks like on the section.
3 And how you identify that anomaly -- it's an, what they call an
4 amplitude anomaly. And this is caused by the signal being
5 slower going through a mound or reefing in the formation
6 related to porosity development. And you get sort of a
7 ballooning effect on your signal. And the amplitude changes.
8 And this is what we look for. It's a seismic signature that we
9 look for to help identify and locate the algal mounds.

10 Q. All right, sir. Identify Applicant's Exhibit 8 and
11 describe what it is, please.

12 A. Exhibit 8 is a typed log showing the Strawn. This
13 typed log is on the Foran #1-12 State "AA", which is in the
14 northeast to the southeast of Section 12, which is the well I
15 was talking about a while ago. And it shows the total Strawn
16 section and what you can anticipate in that reservoir. It
17 looks very good on this log. It looks exactly like what you
18 are looking for only unfortunately this was a very limited
19 reservoir.

20 Q. Anything further with regard to that exhibit?

21 A. No.

22 Q. Mr. Seright, based upon your study of this area and
23 your review of this data do you have a geological opinion as to
24 the proposed unorthodox location for the Roy Anderson No. 1
25 well?

1 A. Yes, I do. We really had no alternative in placing
2 our location because again, as I stated before, for your
3 initial test you want to be sure or be able to place your
4 location as close to and in among as many identified seismic
5 anomalies as you can. You can go -- well, in this instance to
6 the north or to the east. You are running out of close
7 control. And that can be very dangerous. So we really didn't
8 have any alternative. Nobody would have been interested in
9 participating in a well that is not controlled any better than
10 that one looking for the Strawn.

11 Q. Mr. Seright, in your opinion is the proposed
12 unorthodox location for the Roy Anderson No. 1 well the best
13 available location within the north half of the Northeast
14 Quarter of Section 12?

15 A. Yes, it is.

16 Q. Based upon your study of this area is there any
17 other location within that spacing unit that you would
18 recommend be drilled?

19 A. No, sir.

20 Q. Will Bridge by drilling the unorthodox location be
21 harming the correlative rights of offsetting owners of
22 minerals?

23 A. No, sir.

24 Q. When would you -- when does Bridge anticipate being
25 prepared to drill this well?

1 A. We would like to get it started the latter part of
2 this month if we could.

3 Q. And you're requesting an expedited order in this
4 case if possible?

5 A. Yes, if possible.

6 Q. Will the approval of this application in your
7 opinion, Mr. Seright, be in the best interest of the
8 conservation of oil and gas, and the prevention of waste, and
9 the protection of correlative rights?

10 A. Yes, it will.

11 Q. Were Exhibits 4 through 8 prepared by you or under
12 your direction and supervision?

13 A. They were.

14 MR. VANDIVER: Mr. Examiner, I would move the
15 admission of Applicant's Exhibits 4 through 8, and that
16 concludes my direct examination of Mr. Seright.

17 HEARING EXAMINER: Exhibits 4 through 8 will be
18 admitted into evidence.

19 EXAMINATION

20 BY THE HEARING EXAMINER:

21 Q. Mr. Seright, I am referring to Exhibit No. 7. Is
22 that part of one of the seismic lines that crosses this
23 proration unit?

24 A. Yes, sir.

25 Q. Which one am I looking at here?

1 A. All right. That is, it's an east-west line. It is
2 immediately below the proposed location shown on the map.

3 Q. Okay. Horizontally about how far does this
4 represent Exhibit 7, from left to right?

5 A. Okay. That, the orange that you see colored on the
6 segment of the seismic section relates to the orange line
7 immediately below that well. That identifies a reef anomaly.
8 In other words, the extent of this is exactly the same as it is
9 on that map scalewise.

10 Q. So if I was to take Exhibit 7 and it continued out
11 to the left, it would eventually show orange again because it
12 seems to -- from east it goes to the anomaly, and then it goes
13 out for a little while, and then it goes back into the anomaly;
14 is that correct? Or am I looking at the whole east-west algal
15 mound structure?

16 A. Well, this line we're looking at here, the segment
17 of the line only has one anomaly on it. That's the one related
18 to the prospect. You are probably maybe looking at the most
19 northerly east-west line there.

20 Q. That's about a half mile orange segment; is that
21 correct?

22 A. Yes, it is.

23 Q. Now, the contour line on Exhibit 6, the one that you
24 are in amongst, that represents 150 feet; is that correct?

25 A. No, sir, that's 50 feet.

1 Q. 50 feet.

2 A. 50-foot contour, right, and that's a 50-foot closure
3 that we're drilling within.

4 Q. Now, let me see if I got this straight. According
5 to Exhibit 6, a standard location being 150 feet from the
6 center of the northwest of the northeast, according to Exhibit
7 6, would put you in the algal mound structurally about the same
8 as your proposed well. But as I understand it because you have
9 the survey lines, the seismic lines running through there, you
10 want to get in the best possible position from that information
11 which would put you essentially in the, in amongst where four
12 of these seismic lines run through; is that correct, or three
13 of them rather.

14 A. Exactly, exactly right. And you want to be walled
15 in, so to speak, with those anomalies as much and as close as
16 possible. Because the least little variance and you are out of
17 reservoir.

18 Q. Now, the seismic data in which you show on Exhibit
19 6, the seismic lines, were those done by Bridge or were those
20 done by another independent company or another company?

21 A. Okay. Two of the lines were shot in conjunction
22 with Foran Oil Company. We paid our proportionate share of it.
23 That being the east-west line that we were just discussing.
24 The other is a north-south line that comes right down through
25 the location. That also was shot by Foran in conjunction with

1 Bridge and several other operators involved in this prospect
 2 originally. And so yes, that is proprietary data. The other
 3 three lines that we're using here to isolate the prospect were
 4 purchased from a seismic brokerage firm.

5 HEARING EXAMINER: Are there any other questions of
 6 Mr. Seright? If not he may be excused.

7 Mr. Vandiver, do you have anything further?

8 MR. VANDIVER: No, sir.

9 HEARING EXAMINER: Does anybody else have anything
 10 further in Case No. 10028? If not this case will be taken
 11 under advisement.

12 MR. VANDIVER: Thank you.

13 Let's take about a 15-minute recess at this point.

14 (Thereupon, a recess was taken.)

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I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 10028,
 heard by me on 8 August 1990.

Michael P. Hooper, Examiner
 Oil Conservation Division

