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MR. STOGNER: We'll call next
Case Number 8956.

MR. TAYLOR: Application of
Cibola Energy Corporation for an unorthodox oil well
location, Chaves County, New Mexico.

MR. STOGNER: Call for
appearances.

MR. CARSON: Mr. Examiner, my
name is Joel Carson, Losee & Carson, P. A., Artesia, New
Mexico, appearing on behalf of the applicant and I will have
one witness.

MR. STOGNER: Are there any
other apperances?

There being none, will the
witness please stand and be sworn.

(Witness sworn.)

STEVEN A. JENSEN,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

1 DIRECT EXAMINATION

2 BY MR. CARSON:

3 Q Would you state your name, please?

4 A My name is Steven A. Jensen.

5 Q Mr. Jensen, by whom are you employed?

6 A I'm employed by Cibola Energy Corpor-
7 ation.

8 Q And in what capacity?

9 A I'm a geophysicist.

10 Q Have you ever testified before the Oil
11 Conservation Division before?

12 A No, I haven't.

13 Q Would you tell the Examiner a little bit
14 about your educational and experience and qualifications?15 A I got a Bachelor of Science degree in
16 geophysical engineering from Colorado School of Mines. I
17 worked for Geophysical Services, International, in Saudi
18 Arabia for two and a half years.19 I worked for Union Oil Company of Cali-
20 fornia in Oklahoma for two years, and I have been working
21 for Cibola Energy Corporation in New Mexico for two years.22 Q Are you acquainted with the area which
23 this -- to which this application is related?

24 A Yes, sir.

25 MR. CARSON: We tender this

1 witness as an expert, Mr. Examiner.

2 MR. STOGNER: Mr. Jensen is so
3 qualified.

4 Q Now, Mr. Jensen, would you explain brief-
5 ly the purpose of this application?

6 A Cibola Energy Corporation's application
7 is to drill an unorthodox oil well location in Chaves Coun-
8 ty, New Mexico.

9 Q And you're proposing to drill this Hadley
10 No. 1 Well 2290 feet from the north line and 1200 feet from
11 the east line of Section 36, Township 10 South, Range 27
12 East, in the Wildcate Devonian Pool located in the
13 southeast/northeast of Section 36, is that correct?

14 A That's correct.

15 Q I will refer you to what we've marked as
16 Applicant's Exhibit Number One, Mr. Jensen, and ask if that
17 exhibit was prepared by you or under your supervision?

18 A Yes, it was.

19 Q Would you tell the Examiner what that
20 purports to show?

21 A The map shows the -- in red is the State
22 lease purchased by Cibola Energy Corporation and the green
23 lease in Section 31 is -- most of it is leased by Cibola.

24 Q So Cibola is the lessee and owns 100 per-
25 cent of the working interest on that area designated in red

1 and the State owns the royalty, is that correct?

2 A Correct.

3 Q And you're seeking to move unorthodoxly
4 to the west, is that correct?

5 A Correct, 130 feet, approximately.

6 Q Now, let's look at Applicant's Exhibit
7 Number Two.

8 Would you -- was that exhibit prepared by
9 you or under your supervision?

10 A Yes, it was.

11 Q Would you tell the Examiner what that ex-
12 hibit is and what it purports to show?

13 A The exhibit is a structure map on top of
14 the Mississippian limestone, using two seismic lines.
15 There's a north/south line and an east/west line.

16 Q And what -- what does it show?

17 A The Mississippi limestone structure shows
18 a rollover into a fault and we propose drilling on top of
19 the structure.

20 Q And the proposed location, unorthodox lo-
21 cation is the ideal place to drill.

22 A Yes, it is.

23 Q You've made some calculations, have you
24 not, as to possible losses if -- in the event that you're
25 not permitted to drill in that location?

1 A Yes, I have. The dot, the red dot just
2 to the east of the proposed location would be an orthodox
3 location and the map shows that we will lose approximately
4 10 feet of structure and approximately 10 acres of effective
5 drainage.

6 Using volumetric equation, I computed we
7 will lose an estimated 37,000 barrels of oil.

8 Q And that, those calculations are showed
9 on the Applicant's Exhibit Number Three, is that correct?

10 A Correct.

11 MR. CARSON: I would like to
12 move the introduction of Applicant's Exhibits Number One
13 through Three, Mr. Examiner.

14 MR. STOGNER: Exhibits One
15 through Three will be admitted into evidence.

16 Q Mr. Jensen, in your professional opinion
17 will the granting of this application protect correlative
18 rights, prevent waste and otherwise prevent drainage and
19 otherwise prevent the drilling of an unnecessary number of
20 wells?

21 A Yes, sir.

22 MR. CARSON: I don't have any
23 further questions.

24 MR. STOGNER: Thank you, Mr.
25 Carson.

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CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Jensen, referring to Exhibit Number Two, is this information all -- comes from geophysical work?

A Yes, sir. The two seismic lines control the prospect.

Q On the second page of Exhibit Number One, which you show, is the leasehold rights common throughout Section 36?

A Yes, sir, to my knowledge the State of New Mexico owns the section and we have the mineral rights on it.

(There followed a discussion off the record.)

MR. CARSON: That was our understanding, Mr. Examiner, that the notice only had to go to those people that we were moving unorthodoxly towards and that's really ourselves.

MR. STOGNER: And that's yourself. Okay, that's what I was wanting to get out.

MR. TAYLOR: In what manner is this location unorthodox?

1 MR. CARSON: It's moving towards
2 the quarter quarter line.

3 MR. TAYLOR: Is that orthodox
4 by virtue of being located closer to the outer boundary of
5 the unit?

6 MR. STOGNER: Well, yeah, it's
7 a 40-acre oil unit.

8 A It's a 40-acre proration unit.

9 MR. TAYLOR: So any owner of an
10 undrilled lease which adjoins the applicant's spacing unit
11 on one or more of the two sides of a single corner closest
12 to the proposed well is --

13 MR. CARSON: That's us.

14 MR. STOGNER: Okay. All right,
15 got that all taken care of.

16 I have no further questions of
17 Mr. Jensen on this.

18 Are there any other questions
19 of this witness?

20 If not, he may be excused.

21 Mr. Carson, do you have any-
22 thing further in this case?

23 MR. CARSON: Nothing further,
24 Mr. Examiner.

25 MR. STOGNER: Case Number 8956
will be taken under advisement.

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8956 heard by me on 16 August 1986.

[Signature] Examiner
Oil Conservation Division 10/15/86