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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:) CASE NO. 10936
APPLICATION OF STRATA PRODUCTION COMPANY

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: Jim Morrow, Hearing Examiner
March 17, 1994
Santa Fe, New Mexico

MAY 19 1994

This matter came on for hearing before the Oil
Conservation Division on March 17, 1994, at Morgan Hall,
State Land Office Building, 310 Old Santa Fe Trail,
Santa Fe, New Mexico, before Diana S. Abeyta, RPR, Certified
Court Reporter No. 168, for the State of New Mexico.

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I N D E X

March 17, 1994
 Examiner Hearing
 CASE NO. 10936

PAGE

APPEARANCES

3

STRATA PRODUCTION COMPANY'S WITNESSES:

KIM ALLISON

Examination by Mr. Cavin

5

STEPHEN MITCHELL

Examination by Mr. Cavin

8

Examination by Examiner Morrow

18

REPORTER'S CERTIFICATE

25

E X H I B I T S

ID	ADMTD
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Exhibit 1
 Exhibit 2
 Exhibit 3
 Exhibit 4
 Exhibit 5

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: STRATTON & CAVIN, P.A.
Post Office Box 1216
Albuquerque, New Mexico 87103
BY: SEALY H. CAVIN, JR., ESQ.

1 EXAMINER MORROW: Call the hearing back to order
2 and call case 10936.

3 MR. STOVALL: Application of Strata Production
4 Company for an unorthodox oil well location, Eddy County,
5 New Mexico.

6 EXAMINER MORROW: Call for appearances.

7 MR. CAVIN: Mr. Examiner, Sealy Cavin with the
8 law firm of Stratton & Cavin. I represent the applicant
9 Strata Production Company in this matter, and we have two
10 witnesses to call.

11 EXAMINER MORROW: Witnesses stand, please.

12 MR. STOVALL: They have already been sworn, Mr.
13 Examiner, so I think we can proceed. Sworn and qualified.

14 MR. CAVIN: Mr. Examiner, before we begin, I
15 would like to point out that we have a procedural problem, I
16 believe, in that we advertised as a test of the Nash Draw
17 Brushy Canyon. What we are proposing and will present
18 evidence of today, while we do intend to look at the Nash
19 Draw Brushy Canyon while drilling to the deeper objective,
20 we're proposing to drill this well to the base of the second
21 Bone Springs Sands.

22 And we would like to go ahead, because we have
23 everyone here, present the testimony. As you'll see as we
24 present the testimony, there is no mailing by notice because
25 all the offset operators are within the unit. So it would

1 just be a matter of republishing, as we see it.

2 EXAMINER MORROW: What do you say, Attorney?

3 MR. STOVALL: He's probably right. Just take a
4 look at it real quick. I think that's correct. We can just
5 readvertise and continue the case to -- I guess we'll have
6 to continue it for two hearings.

7 MR. CAVIN: Yes, sir. Okay, with that --

8 MR. STOVALL: Mr. Cavin, would you get us a
9 notice as quickly as possible so that we can get it into the
10 papers?

11 MR. CAVIN: I will.

12 EXAMINER MORROW: Go ahead.

13 MR. CAVIN: All right, with that, we'll call our
14 first witness, Ms. Kim Allison.

15 KIM ALLISON

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

18 EXAMINATION

19 BY MR. CAVIN:

20 Q. Ms. Allison, for the record, would you please
21 state your name, current employer, and occupation.

22 A. My name is Kim Allison. My employer is Strata
23 Production Company, where I am a land manager.

24 Q. Ms. Allison, have your qualifications as a
25 petroleum landman been made a matter of record with the

1 division?

2 A. Yes, sir.

3 Q. Was that in case No. 10935?

4 A. Yes, it was.

5 Q. Ms. Allison are you familiar with the land
6 matters involved in this case?

7 A. Yes, sir.

8 MR. CAVIN: Mr. Examiner, are Ms. Allison's
9 qualifications as a petroleum landman acceptable?

10 EXAMINER MORROW: Yes.

11 Q. (BY MR. CAVIN) Ms. Allison, would you briefly
12 state what applicant seeks by this application?

13 A. Yes. Strata seeks approval of an unorthodox oil
14 well location to be drilled to test the second Bone Spring
15 formation located in the northeast quarter northwest quarter
16 of Section 18 of 23 South, 30 East, Eddy County, New Mexico.

17 Q. Have you prepared or directed the preparation of
18 any exhibits in connection with this application?

19 A. Yes, sir, I have.

20 Q. I would refer you to what's marked Strata
21 Exhibit 1 and ask you identify that for the examiner.

22 A. I've got a plat, which indicates -- it's outlined
23 in green -- the Nash Unit Boundaries.

24 Q. You previously described the legal descriptions
25 in case No. 10935, so I won't impose on you for that. But I

1 would ask you to again tell us what kind of unit the Nash
2 Unit is.

3 A. The Nash Unit is a federal exploratory unit.

4 Q. Okay. And again, could you tell us how
5 production and cost are allocated within the Nash Unit?

6 A. Production and cost are allocated -- it's an
7 undivided ownership for the working interest. The working
8 interest owners share alike throughout the unit.

9 Q. So in the event we drill a well and it's not
10 within a participating area, how do you determine who shares
11 in production as --

12 A. It's figured on a tract basis if it's outside of
13 the participating area.

14 Q. But that doesn't affect the working interest
15 owners --

16 A. No, it doesn't.

17 Q. -- because their sharing is --

18 A. Their sharing alike is uniform throughout the
19 unit area.

20 Q. So it only affects royalty and override owners?

21 A. Right. Exactly.

22 Q. Ms. Allison, based on your understanding of the
23 Nash Unit in this application, is it your opinion that the
24 granting of this application will not adversely affect
25 correlative rights?

1 A. No, sir.

2 Q. Ms. Allison, was Exhibit 1 prepared by you or
3 under your supervision or direction?

4 A. Yes, sir, it was prepared by me.

5 Q. Can you testify as to the accuracy of such
6 exhibit?

7 A. Yes.

8 MR. CAVIN: Mr. Examiner, I move for the
9 admission of Exhibit 1.

10 EXAMINER MORROW: Exhibit 1 is admitted.

11 MR. CAVIN:: That concludes my direct examination
12 of Ms. Allison.

13 EXAMINER MORROW: Do you have any questions, Bob?

14 MR. STOVALL: No.

15 EXAMINER MORROW: Thank you, ma'am.

16 THE WITNESS: Thank you.

17 MR. CAVIN: Mr. Examiner, our next witness is Mr.
18 Steve Mitchell.

19 STEPHEN MITCHELL

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

22 EXAMINATION

23 BY MR. CAVIN:

24 Q. Mr. Mitchell, would you please state your name,
25 occupation, and employer for the examiner.

1 A. Yeah, my name is Stephen Mitchell. I'm a
2 petroleum geologist, and I work for Scott Exploration, Inc.,
3 in Roswell, New Mexico.

4 Q. Mr. Mitchell, have your qualifications as a
5 petroleum geologist been made a matter of record with this
6 division?

7 A. Yes, they have.

8 Q. Was this in case No. 10935?

9 A. Yes.

10 Q. Mr. Mitchell, are you familiar with the Nash
11 Draw-Brushy Canyon Pool?

12 A. Yes, I am.

13 Q. In particular, are you familiar with the
14 application filed in this matter?

15 A. Yes, I am.

16 MR. CAVIN: Mr. Examiner, we tender Mr. Mitchell
17 as an expert witness in petroleum geology.

18 EXAMINER MORROW: We accept his qualifications.

19 Q. (BY MR. CAVIN) Mr. Mitchell, have you prepared
20 or directed the preparation of any exhibits in connection
21 with this application?

22 A. Yes, I have prepared three exhibits.

23 Q. Mr. Mitchell -- and, Mr. Examiner, we have the
24 same situation as in Case 10935, wherein there are markings
25 on the Exhibits 1 through 3, but as far as Strata exhibit

1 numbers, they will be 2 through 4. Just so there's no
2 confusion.

3 Mr. Mitchell, at this time, I would refer you to
4 what's marked as Strata Exhibit No. 2 and ask that you
5 identify and describe it for the examiner.

6 A. Okay. Exhibit 2 is a topographic map that was
7 developed by the U.S.G.S., and this is just a copy of it.
8 On this map I show the Potash Life of Mine Reserves, which
9 is shown -- it's highlighted in blue. It shows "High
10 Pressure Gas Pipeline," which is highlighted in green. And
11 then I show the proration unit that we're interested in
12 drilling in, and that's highlighted in pink.

13 We have got several problems with getting a
14 location in this proration unit that we want to drill in.
15 The first and biggest problem is the potash LMR, or Life of
16 Mine Reserves. We're required by the potash companies to
17 drill a quarter of a mile outside the potash LMR. There's a
18 quarter mile buffer zone, so basically, that pushes us all
19 the way out of that proration unit. However, I.M.C. Potash
20 Company has allowed us to drill about 100 feet inside that
21 buffer zone. And so, really, we're restricted to the north
22 by that LMR.

23 Another restriction that we have is the high
24 pressure gas pipeline. As you can see, the pipeline extends
25 directly through that proration unit. We're required by the

1 BLM and by the pipeline owner to locate our well 200 feet
2 from the pipeline. And so although we tried several
3 locations out there, this was one of the only locations we
4 could fit in there with respect to the pipeline.

5 And then the third obstacle we have is surface
6 topography. As you can see on the topography map, as you
7 move to the east half of the proration unit, the topography
8 becomes extremely steep, and the BLM would not allow us to
9 put a location on that steep terrain.

10 The No. 2 location you can see is just to the
11 east of us, and that's an unusually small location, and the
12 BLM, at this point, will not allow us to dig into the side
13 of a hill and put a location in there. So, really, this was
14 really the only location that we were able to get -- this is
15 the only location that we were able to get approved by the
16 BLM.

17 Q. Mr. Mitchell, you say you've gotten approval from
18 the potash operators. Which operator?

19 A. It's I.M.C. Potash.

20 Q. And that approval extends to the base of the
21 Delaware?

22 A. That approval extends to the base of the Delaware
23 and we're awaiting approval on the Bone Spring.

24 Q. So any request you would make of the division
25 would be conditioned on your obtaining that approval from

1 the potash operator for this new lower depth?

2 A. Yes, that's correct. If we don't get approval
3 from the potash company, then we would only drill to the
4 Delaware, the base of the Delaware.

5 EXAMINER MORROW: Will you have that by the 16th?

6 THE WITNESS: Yes, sir.

7 Q. (BY MR. CAVIN) Now, so if you don't get --
8 you'll either have it or you won't have it, and we'll be
9 able to let the division know whether we have approval to go
10 to the base of the Delaware or the base of the second Bone
11 Spring Sand?

12 A. Yes, we should acquire a letter agreement from
13 I.M.C. Potash. I'm sure we'll get a verbal and then
14 followed by a letter agreement.

15 Q. So are there any other locations or what other
16 locations could you drill in that Northeast, Northwest
17 quarter, Mr. Mitchell? As I understood, there are really
18 very few.

19 A. I feel this is really the only location we would
20 be able to get approved. We cannot move north. We can't
21 move east, and we have to stay away from the high pressure
22 pipeline.

23 Q. Okay. Mr. Mitchell, I would next refer you to
24 what is marked as Strata Exhibit 3 and ask that you identify
25 and describe that for the division. Before you do that, I

1 would just ask, is this the same structure map that you
2 provided in Case No. 10935?

3 A. Yes, this is the same structure map. And I'm not
4 sure exactly how much bearing it will have on this decision,
5 other than we did not want to move any further to the east,
6 because we would be increasing our risk of finding an
7 oil-water contact. But, we're really restricted anyway by
8 topography.

9 Q. So the conclusion reached from this map is you
10 want to move this as far west as you can?

11 A. Yes, that's correct.

12 Q. But still drill this proration unit?

13 A. We want to drill this proration unit. I guess
14 what I'm saying is we don't want to move an entire proration
15 unit to the east, because we would be increasing our risk
16 significantly.

17 EXAMINER MORROW: Is No. 20 spotted on this map?
18 I hadn't found it.

19 THE WITNESS: Which map, sir? Okay, yes,
20 number -- should be on there. I've got it spotted on mine.
21 It should be in Section 18 there, just west of the No. 2 of
22 gas well.

23 EXAMINER MORROW: Oh, yeah, I got it.

24 Q. (BY MR. CAVIN) Mr. Mitchell, I would next refer
25 you to what is marked as Strata Exhibit No. 4 and ask that

1 you identify and describe that for the examiner.

2 A. Exhibit No. 4 is essentially a basic economic
3 analysis regarding drilling to the first and second Bone
4 Spring Sandstone Pay.

5 The reason I included this is I feel if we're not
6 able to drill down to the Bone Spring formation, I think
7 we'll have some undue waste of resources. The economics
8 provided indicate that we could not -- it wouldn't be
9 economically viable to drill just to the Bone Spring; we
10 need both the Delaware reserves and the Bone Spring
11 reserves.

12 So the economic parameters below here -- well,
13 let me go back. The Bone Spring Sandstone reservoirs have
14 very steep declines. They typically require very extensive
15 frac treatments and only produce an average of 50- to 60,000
16 barrels of crude, and approximately a 2000 to 1 GOR, so
17 about 120 million cubic feet of gas. Within a year -- they
18 may initially produce about 150 barrels of oil per day, but
19 within a year, they typically decline to about 30 barrels
20 per day.

21 So what I show here on my Economic Parameters was
22 60,000 barrels of oil; ultimate recovery, 120 million cubic
23 feet of gas. Based on my AFE, to drill just to the -- to
24 just complete the Bone Spring and exclude the Delaware, a
25 cost of \$628,000, and the average net revenue interest we

1 have in there is 75 percent. Typical lifting costs of \$2.50
2 a barrel. Present value of oil is \$14, and value of gas at
3 the 2.0 per mcf, minus tax of 8 percent.

4 And below are the Economic Projections, which
5 shows that based on the 60,000 barrels and all these other
6 economic parameters, an ultimate recovery -- or ultimate
7 payback of \$683,100, and that's nondiscounted, so that might
8 take 10 years. So really, the actual value would be less
9 than that. Just based on nondiscounted dollars, the return
10 on investment would only be a 1.08 to 1, and it wouldn't be
11 economically feasible to drill only to the Bone Spring.

12 So, really, while we're drilling these Delaware
13 wells, if we're going to recover these Bone Spring reserves
14 we need to drill them at the same time. We need to drill
15 that extra 2,000 feet to recover those Bone Spring reserves.

16 The additional cost of drilling to the Bone
17 Spring on the Delaware wells is approximately, about
18 approximately 90,000 additional dollars. Total cost of
19 \$716,000. So that makes it \$90,000 extra to recover an
20 additional 60,000 barrels of oil.

21 Q. Why wouldn't someone if they were -- your point
22 that you don't think people would drill just to develop the
23 Bone Springs, would people drill deeper to develop deep
24 rights and then have a chance of developing Bone Spring?

25 A. Well, first of all, the Pennsylvanian and deeper

1 horizons are drilled on 320-acre spacing, so even if
2 somebody did decide to try and drill another deep well in
3 there, they would only drill one well in that 320 acres.

4 Secondly, there's already been a deep
5 Pennsylvanian test in there. It was a marginal producer on
6 that west half of Section 18. So it's unlikely there will
7 be another deep well drilled in that west half of Section
8 18.

9 Q. What's the footage differential between the base
10 of the Bone Spring and the base of the Second --

11 A. Approximately --

12 Q. I'm sorry. The base of the Delaware and the
13 Second Bone Spring.

14 A. And the base of the Second Bone Spring Sand is
15 approximately 2,000 feet.

16 Q. You estimated the cost to drill and set casing to
17 that extra depth would be about \$100,000?

18 A. About \$100,000 additional cost.

19 Q. Why are you picking this location for the Bone
20 Spring test? Is this something you've been thinking about
21 all along in your development out there?

22 A. Yes. We looked at the Bone Spring. We've talked
23 about trying to drill some Bone Spring wells out there.
24 Based on mud log shows that were encountered in the Nash
25 No. 2 well, and based on the porosity logs, this would be

1 the best location to test the Bone Spring Sandstone. To
2 date, these zones have not been tested in the Nash Unit. We
3 have the highest porosity and the best mud log shows in the
4 Nash No. 2 well, so the Nash 20 would be the optimum
5 location to test the Bone Spring.

6 Q. Do you have much familiarity with the Bone Spring
7 in this part, in this region?

8 A. Yes. Well, I worked the Bone Spring for several
9 years. We probably drilled, oh, in the last eight years, we
10 probably completed 10 or 12 Bone Spring Sandstone wells. I
11 examined most of the Bone Spring Sand production in this
12 area and looked at many different scenarios on decline
13 curves, and of course, 60,000 barrels is a good average
14 production. Eventually, you'll get a high side of 100,000
15 barrels to 130,000, but that's, you know, 1 out of 30 wells
16 do that.

17 Q. But in any case, it is your opinion that it's
18 unlikely the Bone Spring will be developed unless it's
19 developed in conjunction with the Delaware?

20 A. Yes, that's correct.

21 Q. Mr. Mitchell, based on your understanding of this
22 area in the Delaware, in the Bone Spring, is it your opinion
23 that the granting of this application would be in the
24 interest of conservation, the prevention of waste, and the
25 protection of correlative rights?

1 A. Yes, I do.

2 Q. Mr. Mitchell, were Exhibits 2 through 4 prepared
3 by you or under your supervision or direction?

4 A. Yes.

5 MR. CAVIN: Mr. Examiner, I would move for the
6 admission of Exhibits 2 through 4.

7 EXAMINER MORROW: Exhibits 2 through 4 are
8 admitted.

9 MR. CAVIN: Mr. Examiner, I have no further
10 questions of Mr. Mitchell at this time.

11 EXAMINATION

12 BY EXAMINER MORROW:

13 Q. I believe that you indicate on your application
14 that this would be for geological reasons as well as surface
15 location, and the reasons are -- the request was because of
16 the pipeline and the steep hill and the LMR; was that the
17 reason for --

18 A. That's correct.

19 Q. No geological reasons for the request?

20 A. The only geological reason would be that we did
21 not want to move further downdip structurally over to the
22 next proration unit. This was the only acceptable location
23 within that proration unit by the BLM. So the only other
24 alternative would be to move further to the east, which
25 would increase risk.

1 MR. STOVALL: Are you aware that this could have
2 been processed administratively if it's due to topographic?

3 THE WITNESS: Yes, it's just that it wasn't
4 strictly topographic.

5 MR. STOVALL: Topography drove you from an
6 orthodox location and geology drove you west; is that what
7 you are saying?

8 THE WITNESS: Actually, topography probably
9 dictated -- I think the LMR really dictated that we may have
10 an unorthodox location, and topography also was a key
11 factor. It possibly could have been topography alone, but I
12 thought it would be good that we present all the problems
13 we're having out there.

14 Q. (BY EXAMINER MORROW) Well, you really didn't
15 present any geological information on the Bone Spring, I
16 don't believe, did you?

17 A. No, sir, I did not.

18 Q. And if we or I.M.C. don't approve the deeper
19 test, you do plan to still drill this as a Delaware Brushy
20 Canyon Well?

21 A. Yes, sir, we do.

22 MR. STOVALL: I take it you consider the LMR a
23 geologic and not a topographic reason, is that what you're
24 saying?

25 THE WITNESS: The LMR, I guess, is geologic

1 because it's based on potash.

2 MR. STOVALL: I can see where there's some
3 confusion about that. For your information, I think that it
4 would, for your purposes, be considered topographic because
5 the geology would have to do with the reservoir that you're
6 interested in. You have no control over the LMR and where
7 it's designated, so just for your future reference.

8 THE WITNESS: So try to take care of this
9 administratively next time?

10 MR. STOVALL: Yeah. I mean, you're here anyway,
11 so I guess it wasn't a real burden to do the rest of it, but
12 I don't think you have to consider it a geological case
13 simply because you have a potash consideration under
14 R-111-P.

15 Q. (BY EXAMINER MORROW) Under R-111-P will you
16 comply with all the casing requirements for --

17 A. Yes, sir. In fact, in the APD it's already been
18 submitted to the BLM. That's been considered, and we'll set
19 three strings of casing, one will be through the potash, and
20 we will circulate cement on our production casing up into
21 the immediate casing to protect the potash.

22 EXAMINER MORROW: Thank you, sir.

23 THE WITNESS: Thank you.

24 MR. CAVIN:: Mr. Examiner, if I might just add a
25 few things. I have provided an affidavit as Exhibit 5. We

1 have not provided any notice by mailing, and I believe
2 that's appropriate and consistent with the rules.

3 I guess I would also just ask for some
4 instruction to make sure I understand. We are going to have
5 this republished and also we will get you information as to
6 whether I.M.C. approves a Bone Spring well at that location,
7 and with that, we can --

8 MR. STOVALL: Mr. Cavin, I think if you can get
9 an answer from I.M.C. today or tomorrow, or I guess, Tuesday
10 actually would be your deadline for getting a notice up to
11 us, if in fact, I.M.C. does not approve your Bone Spring
12 location, then you don't have an advertising problem.

13 MR. CAVIN: Okay, good. We'll we work on that
14 and make sure --

15 THE WITNESS: Yes, sir.

16 MR. CAVIN: And then we'll get that resolved, and
17 then we won't have to readvertise it.

18 MR. STOVALL: And if you so advise the division,
19 then we can proceed -- tell you what let's do, is let's put
20 it on the docket for two weeks from today.

21 MR. CAVIN: Okay.

22 MR. STOVALL: And then if it needs readvertising,
23 we'll readvertise it for four weeks. That way it can be
24 taken under advisement in two weeks and you don't have to
25 wait the four that covers the procedural --

1 MR. CAVIN: We'll go ahead and get it going.
2 Just for my edification, so you, the commission or division,
3 views the potash restrictions as a topographic problem for
4 purposes of --

5 MR. STOVALL: The geologic issue would be whether
6 you gain a geologic production advantage. For example, in
7 this case, you know, if you had had a choice of unorthodox
8 locations to go to, or if there was an orthodox location you
9 could have gotten to on the surface, but you chose not to go
10 to an orthodox location because it was disadvantageous in
11 the geologic strata you were going to and you chose to go
12 unorthodox in a different direction. But the geologic issue
13 issue is not a question of the potash, because that has
14 really nothing to do with the oil and gas itself; it has to
15 do with where you can locate -- for your purposes, potash is
16 still on the surface, I guess.

17 EXAMINER MORROW: See, it's a surface problem;
18 that's the way I describe it too.

19 MR. CAVIN: All right. Okay, then so this case
20 will be continued, and we'll have it published, and in the
21 interim, we'll find out whether I.M.C. will approve and
22 we'll advise the commission.

23 MR. STOVALL: What I suggest you do, the course
24 you follow is we'll continue it for two weeks as of this
25 docket. You will, between now and Tuesday, find out whether

1 I.M.C. -- and if they don't, you know, if you don't get an
2 answer, I guess you're better off going ahead and
3 advertising.

4 If you don't get an answer or if you get an
5 affirmative answer that they would consent to your drilling,
6 if you will then provide us with a readvertisement text,
7 just changing to test both the Brushy Canyon and the Bone
8 Springs, then we will proceed to advertise it, and then
9 continue it on to the four weeks from today for the purpose
10 of letting that run.

11 MR. CAVIN: Okay. So we don't need to do
12 anything further to continue it? You know, just do that?

13 MR. STOVALL: Correct. Well, you need to advise
14 us by Tuesday whether or not we need to readvertise or just
15 bring it up on the next docket and take it under advisement.

16 THE WITNESS: Excuse me. So in the future, if
17 the location is dictated by LMR is that to be handled
18 administratively or is that to be handled with a hearing?

19 MR. CAVIN: It's a surface problem --

20 THE WITNESS: It's a surface problem, so it's
21 administrative.

22 MR. CAVIN: Administrative.

23 MR. STOVALL: Correct. Yeah, LMR doesn't give
24 you -- you don't choose -- it is a geological consideration
25 for the potash companies. It's a surface problem for you

1 because they draw a line on a piece of paper and that tells
2 you where you've got to go.

3 MR. CAVIN: Of course, we're going within that
4 line so, conceivably, I guess you could say -- Well, I guess
5 we could have pushed it, you know, sort of --

6 EXAMINER MORROW: Well, I think you said they
7 waived 300 feet or something like that.

8 MR. CAVIN: Okay.

9 MR. STOVALL: And in this case, of course, you're
10 encroaching on yourself, so you eliminate some correlative
11 rights concerns there.

12 EXAMINER MORROW: What else?

13 MR. CAVIN:: That's it. Thank you, sir.

14 EXAMINER MORROW: Thank you.

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1 CERTIFICATE OF REPORTER

2 STATE OF NEW MEXICO)
3) ss.
4 COUNTY OF Santa Fe)

5 I, Diana S. Abeyta, Certified Shorthand Reporter
6 and Notary Public, HEREBY CERTIFY that I caused my notes to
7 be transcribed under my personal supervision, and that the
8 foregoing transcript is a true and accurate record of the
9 proceedings of said hearing.

10 I FURTHER CERTIFY that I am not a relative or
11 employee of any of the parties or attorneys involved in this
12 matter and that I have no personal interest in the final
13 disposition of this matter.

14
15
16 WITNESS MY HAND AND SEAL, March 28, 1994.

17
18
19 
20 DIANA S. ABEYTA
CCR No. 168

21
22 I do hereby certify that the foregoing is
23 a complete record of the proceedings to
24 the Examiner hearing of Case No. 10936
25 heard by me on March 17 1994.


Examiner
Oil Conservation Division

CUMBRE COURT REPORTING
(505) 984-2244