

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. 11,911

APPLICATION OF POGO PRODUCING COMPANY )  
 FOR A UNIT AGREEMENT, LEA COUNTY, )  
 NEW MEXICO )

**ORIGINAL**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 22nd, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, January 22nd, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

STEVEN T. BRENNER, CCR  
 (505) 989-9317

## I N D E X

January 22nd, 1998  
 Examiner Hearing  
 CASE NO. 11,911

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## A P P E A R A N C E S

## FOR THE DIVISION:

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\* \* \*

STEVEN T. BRENNER, CCR  
 (505) 989-9317

1           WHEREUPON, the following proceedings were had at  
2 8:49 a.m.:

3           EXAMINER STOGNER: At this time I'll Call Case  
4 Number 11,911.

5           MR. CARROLL: Application of Pogo Producing  
6 Company for a unit agreement, Lea County, New Mexico.

7           EXAMINER STOGNER: Call for appearances.

8           MR. BRUCE: Mr. Examiner, Jim Bruce from Santa  
9 Fe, representing the Applicant. I have two witnesses to be  
10 sworn.

11           EXAMINER STOGNER: Are there any other  
12 appearances in this matter?

13           Will the two witnesses please stand to be sworn  
14 at this time?

15           (Thereupon, the witnesses were sworn.)

16           MR. BRUCE: Mr. Examiner, the first three  
17 exhibits are geological exhibits, although our first  
18 witness will be the landman. So we'll start out with  
19 Exhibit 4.

20                           ELIZABETH E. MOSES,  
21 the witness herein, after having been first duly sworn upon  
22 her oath, was examined and testified as follows:

23                           DIRECT EXAMINATION

24 BY MR. BRUCE:

25           Q.    Would you please state your name and city of

1 residence?

2 A. Elizabeth Moses, Midland, Texas.

3 Q. And who do you work for and in what capacity?

4 A. I work for Pogo Producing Company as a consulting  
5 landman.

6 Q. Have you previously testified before the  
7 Division?

8 A. No.

9 Q. Would you please briefly describe your  
10 educational and employment background?

11 A. I have a bachelor of business administration  
12 degree from Stephen F. Austin State University. I've been  
13 a landman for 18 years, an independent consulting landman  
14 for the last eight years. My primary clients have been  
15 Collins and Ware; Conoco, Inc.; and Pogo.

16 Q. Have you previously testified before any other  
17 state regulatory bodies?

18 A. Yes, I've appeared before the Oklahoma  
19 Corporation Commission, the Texas Railroad Commission, and  
20 a federal bankruptcy court as an expert witness.

21 Q. Okay. And has your work, especially over the  
22 last eight years, been in the Permian Basin, west Texas,  
23 southeast New Mexico?

24 A. Yes, those areas and also North Dakota.

25 Q. Okay. And are you familiar with the land matters

1 involved in this Application?

2 A. Yes, I am.

3 MR. BRUCE: Mr. Examiner, I tender Ms. Moses as  
4 an expert petroleum landman.

5 EXAMINER STOGNER: Ms. Moses is so qualified.

6 Q. (By Mr. Bruce) Let's go to your Exhibit 4.  
7 Could you identify that for the Examiner and please briefly  
8 describe what it is that Pogo seeks in this case?

9 A. Okay, Exhibit 4 is a land plat. Pogo is seeking  
10 an order approving the Longbow Unit, an exploratory unit,  
11 and it's outlined on the exhibit. The proposed unit covers  
12 all depths, including -- It covers the south half of  
13 Section 25, the southeast quarter of Section 35 and all of  
14 Section 36 of Township 21 South, 32 East.

15 Q. What types of lands are in the proposed unit?

16 A. Fee land covers the southeast quarter of Section  
17 35. The remainder of the unit is federal. The federal  
18 lands comprise 85.715 percent of the unit.

19 Q. On Exhibit 4, the south half of Section 25 is  
20 noted as being in the Collins and Ware Lincoln Unit. Is  
21 that unit any longer effective?

22 A. No, that unit was terminated.

23 Q. Okay. Could you identify Exhibit 5 for the  
24 Examiner?

25 A. Okay, Exhibit 5 is a copy of the proposed unit

1 agreement. It's a standard form that the State of New  
2 Mexico uses. The Exhibit B to the unit agreement lists all  
3 of the working interests, overriding royalty interests and  
4 royalty owners.

5 Q. And Exhibit B is the last page of that exhibit --

6 A. Yes.

7 Q. -- correct?

8 A. Yes, it is.

9 Q. Now, referring to Exhibit B, who are the working  
10 interest owners in the unit, and which of them have agreed  
11 to join in the unit?

12 A. Okay, those that have agreed to join in the unit  
13 are Pogo Producing Company, Yates Petroleum Corporation,  
14 Yates Drilling Company, Abo Petroleum Corporation and Myco  
15 Industries, Inc. Louis Dreyfus has an uncommitted interest  
16 in the unit.

17 Q. And they're the only nonsigning working interest  
18 owner?

19 A. Yes.

20 Q. Also on the exhibit, I notice one thing in Tract  
21 2, there's a depth severance; is that correct?

22 A. Yes, there is.

23 Q. And everything above the base of the Bone Spring  
24 is committed to the unit in that fee tract; is that  
25 correct?

1 A. That's correct.

2 Q. And everything below the base of the Bone Spring  
3 is the Louis Dreyfus acreage, which is uncommitted?

4 A. Yes, that's correct.

5 Q. Okay. What percentage of working interest owners  
6 are committed to the unit?

7 A. Okay, in the south half of Section 25, 100  
8 percent are committed. In the southeast quarter of 35, 100  
9 percent from surface to the base of the Bone Springs. And  
10 in Section 36, 100 percent.

11 Q. What percentage of that -- What percentage of all  
12 working interests have committed to the unit?

13 A. Well, surface to the base of the Bone Springs, it  
14 would 100 percent.

15 Q. Okay. Now, what about the royalty interests?

16 A. Okay, the -- some of the -- the fee owners  
17 have -- The fee royalty owners, two out of the three,  
18 representing 67 percent of that fee tract, have committed  
19 to the unit, signed their ratifications.

20 The BLM has preliminarily approved the unit.

21 MR. BRUCE: Mr. Examiner, we are supposed to -- I  
22 had hoped to have the preliminary approval letter faxed up  
23 to us. I'd ask that the record be held open for a day so  
24 we could get that letter into the record.

25 Q. (By Mr. Bruce) Overall, what percentage,

1 including the BLM, of royalty interests have agreed to the  
2 unit?

3 A. 95.238 percent.

4 Q. Okay. Before I forget, what is Exhibit 6?

5 A. It's a copy of the proposed unit operating  
6 agreement.

7 Q. And this form has been executed by Pogo?

8 A. Yes. Yes, it has.

9 Q. And it has been submitted to the Yates entities  
10 for its execution also?

11 A. Yeah, they have executed it in the last day or  
12 two; we just haven't received it.

13 Q. Okay. Before we move off of the royalty owners,  
14 is Exhibit 7 the copies of the ratifications from the two  
15 fee royalty owners?

16 A. Yes, it is.

17 Q. And is Exhibit 8 a copy of a ratification from an  
18 overriding royalty owner?

19 A. Yes, it is.

20 Q. Now, what efforts were made to obtain the  
21 voluntary joinder of the interest owners?

22 A. The working interest owners were sent  
23 correspondence beginning December 23rd, 1997, proposing the  
24 unit, and with follow-up correspondence.

25 Q. And is Exhibit 9 a package of the correspondence

1 to the working interest owners?

2 A. Yes, it is.

3 Q. Okay. Now, the latest letter was a couple of  
4 days ago to Louis Dreyfus, but they have still refused to  
5 join in the unit; is that correct?

6 A. That's correct.

7 Q. What about the royalty and overriding royalty  
8 owners?

9 A. They were sent correspondence and ratifications  
10 and a copy of the unit agreement on January 12th, 1998.

11 Q. Okay, and is Exhibit 10 a package of the  
12 correspondence to the royalty and overriding royalty  
13 owners?

14 A. Yes, it is.

15 Q. Now, in addition to these letters, did you have  
16 any telephone calls or other contacts with interest owners?

17 A. Yes, I have. I've had several telephone  
18 conversations with Robert Bullock at Yates and with Joe  
19 Hammond at Dreyfus, and I've also had some phone calls,  
20 just curiosity-type phone calls, from the royalty interest  
21 owners and overriding royalty owners.

22 Q. Now, these letters were sent out fairly recently.  
23 Is there a time deadline regarding the unit?

24 A. Yes, there is. The lease covering the south half  
25 of Section 25, federal lease, as Pogo interprets the lease,

1 it has to be capable of production on or before February  
2 28th, 1998.

3 Q. And so as a result, does Pogo request expedited  
4 approval of the unit agreement by the Division?

5 A. Yes.

6 Q. In your opinion, has Pogo made a good-faith  
7 effort to obtain the voluntary joinder of the interest  
8 owners in the unit?

9 A. Yes. However, since this is a voluntary unit,  
10 the interest owners who have not joined will be governed by  
11 that unit agreement, the terms of the leases.

12 Q. They'll just be governed by their leases?

13 A. The leases.

14 Q. What are Pogo's plans for the initial unit well?

15 A. We intend to commence a Bone Spring test in the  
16 southeast quarter of the northwest quarter of Section 36.

17 Q. And will Mr. Dillman, the geologist, further  
18 describe the proposed well?

19 A. Yes.

20 Q. Does Pogo request that it be the operator of the  
21 unit?

22 A. Yes.

23 Q. Pogo is the largest working interest owner, is  
24 it?

25 A. Yes, Pogo has 65.47 percent working interest.

1 Q. And finally, were all of the interest owners  
2 notified of this hearing?

3 A. Yes.

4 Q. And is Exhibit 11 a copy of the notice affidavit  
5 with the letter and certified return receipts?

6 A. Yes.

7 Q. Were Exhibits 4 through 11 prepared by you or  
8 under your supervision or compiled from company business  
9 records?

10 A. Yes, it was.

11 Q. And is the granting of this Application in the  
12 interests of conservation and the prevention of waste?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, at this time I would  
15 tender the admission of Pogo Exhibits 4 through 11.

16 EXAMINER STOGNER: Exhibits 4 through 11 will be  
17 admitted into evidence.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Ms. Moses, in looking at Exhibit B, I kind of had  
21 a hard time keeping up with you there, so please be patient  
22 with me. As far as the basic royalty interest, the United  
23 States has -- or the BLM has committed to this or  
24 preliminary approval has been -- is forthcoming --

25 A. Yes.

1 Q. -- as I understand it?

2 Okay. Now, you show three royalty interest  
3 owners, a Lillian Graham, a Jennie --

4 A. Jennie Ludel Kinsolving and Gloria Violet  
5 Chandler.

6 Q. Yeah. Which one of those have or have not  
7 committed?

8 A. Jennie Kinsolving and Lillian Graham have  
9 committed.

10 Q. So that just leaves the Gloria Violet Chandler's  
11 interest --

12 A. Yes, sir.

13 Q. -- uncommitted at this point?

14 A. I anticipate receiving her ratification also.

15 Q. And you've been in -- When is the last contact  
16 you have had with her?

17 A. Actually, I didn't have any direct contact.  
18 Jennie Kinsolving's son -- Those are all three sisters.  
19 Her son contacted me. And the last time I talked to him  
20 was, I believe, last Thursday.

21 Q. Are all -- Is this group related?

22 A. Yeah, they're all three sisters.

23 Q. Oh, okay. And let's see, Pogo, as I understand  
24 it, has a lease for this fee acreage from the surface to  
25 the base of the Bone Spring?

1           A.    Actually, there was one lease from -- well, a  
2   separate lease for each lady to Louis Dreyfus, and we have  
3   acquired the interests from Louis Dreyfus from the surface  
4   to the base of the Bone Springs, in that southeast quarter.

5           Q.    Okay.  And then Louis Dreyfus has kept the lease  
6   for everything below that?

7           A.    Yes, sir.

8           Q.    And Louis Dreyfus is the one uncommitted lessee  
9   of record?

10          A.    Yes, as to those deep rights.

11          Q.    Okay, let's talk about that Lincoln Unit, Collins  
12   and Ware.  When was that unit terminated?  Or do you know  
13   basically how long ago?

14          A.    I'm not sure.

15                MR. BRUCE:  I don't have an exact date.  I can  
16   get that for you, Mr. Examiner.

17                EXAMINER STOGNER:  Not that that's --

18                MR. BRUCE:  That might not be a --

19                EXAMINER STOGNER:  Yeah, if you would, I would  
20   appreciate that.

21          Q.    (By Examiner Stogner)  In your -- when you were  
22   -- Before you testified and you were telling us your  
23   credentials, you did some Collins and Ware agreement for  
24   land work?

25          A.    Yes, I did.  As a matter of fact, I helped put

1 together the Lincoln Unit.

2 Q. Okay. When -- That's kind of what I'm leading up  
3 to. About when was this?

4 A. That was in 1991? 1990, 1991.

5 Q. Okay, early Nineties?

6 A. Yeah.

7 Q. Because there's an old well symbol in that unit.  
8 I'll probably ask your geologist, but do you know anything  
9 about that?

10 A. I don't recall.

11 EXAMINER STOGNER: Okay. Mr. Carroll, do you  
12 have anything for this witness?

13 MR. CARROLL: (Shakes head)

14 EXAMINER STOGNER: Mr. Bruce?

15 MR. BRUCE: Nothing further.

16 EXAMINER STOGNER: Ms. Moses, you may step down.

17 GEORGE J. DILLMAN,

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

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Will you please state your name for the record?

23 A. George Dillman.

24 Q. And who do you work for?

25 A. Pogo Producing Company, Midland, Texas.

1 Q. What's your job with Pogo?

2 A. I'm a division geologist.

3 Q. Have you previously testified before the Division  
4 as a petroleum geologist?

5 A. Yes, I have.

6 Q. And were your credentials as an expert geologist  
7 accepted and made a matter of record?

8 A. They were.

9 Q. And are you familiar with the geology regarding  
10 the proposed unit?

11 A. I am.

12 MR. BRUCE: Mr. Examiner, I tender Mr. Dillman as  
13 an expert petroleum geologist.

14 EXAMINER STOGNER: Mr. Dillman is so qualified.

15 Q. (By Mr. Bruce) Mr. Dillman, what is the primary  
16 objective in this unit?

17 A. The primary objective is the lower Delaware  
18 Mountain Group, Brushy Canyon member.

19 Q. Now, regarding the initial well -- First of all,  
20 where will that initial well be?

21 A. The initial well is located in Section 36, in the  
22 southeast of the northwest of Township 21 South, Range 32  
23 East, Lea County.

24 Q. To what depth will that well be drilled?

25 A. That well will be drilled to an approximate depth

1 of 9000 feet.

2 Q. And will it only test the Delaware?

3 A. It will actually penetrate the upper part of the  
4 Bone Spring formation, but it will primarily be a lower  
5 Brushy Canyon test.

6 Q. Would you refer to your Exhibit Number 1 and  
7 identify that for the Examiner?

8 A. Exhibit Number 1 is a net porosity map  
9 constructed at the primary exploration target, internally  
10 referred to, in Pogo, as the Brushy Canyon BC 4 reservoir  
11 sand.

12 It demonstrates a thick isopach of BC 4 reservoir  
13 rock trending northeast-southwest through the proposed  
14 unit. This porosity rock, the BC 4, is the primary  
15 producing reservoir in the Red Tank field, due south of the  
16 Longbow Unit and the Prohibition Unit in Township 22 South,  
17 Range 32 East.

18 On Exhibit 1 and 2 you can see the very north end  
19 of the Red Tank field, located in Section 14. And then the  
20 primary part of the field is developed further south in  
21 Sections 23, 26, 27, 34, by Pogo Producing and Burlington  
22 Resources.

23 Q. So Exhibit 1 shows that you map a thick porosity  
24 trend extending through the heart of the unit?

25 A. That's correct. And that thick porosity trend is

1 established by the Axe Federal well, drilled in the  
2 northeast of the southeast of Section 21 by Pogo Producing.

3 Q. Would you please identify your Exhibit 2?

4 A. Exhibit 2 is a structure map, constructed at the  
5 same reservoir level, the BC 4, of the lower Brushy Canyon.  
6 The porosity values where density reads greater than 14  
7 percent were utilized as the mapping points.

8 The structure developed from those mapping points  
9 indicates a four-way closure extending across the majority  
10 of the acreage located in Sections 25, 35 and 36, proposed  
11 for this unit, outlined specifically by a contour with a  
12 subsurface value of a minus 4820.

13 Q. And so this map is what was used as the basis for  
14 the unit boundaries?

15 A. That is correct.

16 Q. What does your Exhibit 3 show?

17 A. Exhibit 3 is a cross-section that spans the unit  
18 boundary, incorporating on the east the Tomahawk Unit well,  
19 in the northwest of the southwest of Section 31, of  
20 Township 21 South, Range 33 East. That well was drilled by  
21 Pogo as an initial exploratory test in the Tomahawk Unit.

22 Subsequent interpretation to the drilling of the  
23 Tomahawk Number 1 Well, Pogo then drilled the Axe Federal  
24 well in Section 25, which is located on the cross-section  
25 as the second identified well.

1           And then finally on the cross-section is  
2 projected in a proposed location.

3           And then the westernmost well is the Manzano  
4 Anderson well, located in the northwest of the southwest of  
5 Section 35 of 21 South, Range 32 East, just outside of the  
6 unit acreage.

7           Q.    What about the -- I think it's the Axe Federal  
8 well in the northeast southeast of Section 25?  Could you  
9 discuss that well for the Examiner?

10          A.    That well was drilled by Pogo, as previously  
11 stated.  It penetrated an extremely thick reservoir section  
12 of the target horizon, the BC 4.  The mud log shows were  
13 insufficient for Pogo at that time to run casing and  
14 attempt a completion.

15                It delineates what we believe is the saddle  
16 between the structure developed within the Longbow Unit and  
17 the nonproducing area to the northeast.

18          Q.    Is the primary zone what Pogo calls the BC 4  
19 zone?

20          A.    That is correct.  At this time we are proposing  
21 to drill a well into the top of the Bone Spring, whose  
22 primary objective is the BC 4 reservoir, recognizing also  
23 that there is deeper stratigraphic potential in this area  
24 as there is Morrow production established to the west and  
25 to the east of this area.

1           To that respect, we are requesting -- and we have  
2 preliminary approval from the BLM office -- to maintain the  
3 entire 320 in Section 25 and the 640 in Section 36, to  
4 facilitate easier future Atoka-Morrow tests that may  
5 develop for this unit.

6           Q.    For the purposes of 320-acre spacing?

7           A.    That is correct.

8           Q.    And is the primary zone continuous across the  
9 proposed unit?

10          A.    As interpreted, I believe it is.

11          Q.    You mentioned there's a possible Atoka-Morrow.  
12 Where is the nearest commercial Atoka-Morrow well, do you  
13 think?

14          A.    The nearest wells to the west are located in  
15 Sections 34 and are part of the Bilbrey Morrow field. And  
16 then an equal distance to the east, I believe in Sections  
17 28 and 33, are some recent Morrow completions.

18          Q.    In your opinion, is the granting of this  
19 Application in the interests of conservation and the  
20 prevention of waste?

21          A.    It is.

22          Q.    And were Exhibits 1 through 3 prepared by you or  
23 under your direction?

24          A.    They were.

25               MR. BRUCE: Mr. Examiner, I'd tender the

1 admission of Pogo's Exhibits 1 through 3.

2 EXAMINER STOGNER: Exhibits 1 through 3 will be  
3 admitted into evidence at this time.

4 EXAMINATION

5 BY EXAMINER STOGNER:

6 Q. Mr. Dillman, in looking at Exhibit Number 3,  
7 you're representing, or at least showing, several markers  
8 or tops of the structures and such as that.

9 A. That is correct.

10 Q. Starting from the top, you have a basal Brushy  
11 marker?

12 A. That is correct. The basal Brushy marker, if  
13 you'd like me just to give you a general overview --

14 Q. Sure.

15 A. -- is typically a shale and silty marker that is  
16 correlated almost entirely throughout the Delaware Basin,  
17 the lower part of Lea and Eddy Counties. It is a very  
18 common marker, and most of the exploration companies in the  
19 basis [sic] recognize that the sands developed below that  
20 marker and above the top of the Bone Spring limestone,  
21 which is the lowest marker on this cross-section, represent  
22 an exploratory package of sands.

23 And in particular, the sands developed in this  
24 interval are extremely productive in a four-township area  
25 related to Sections 22 South, 32 East; 21 South, 31 East;

1 22 South, 31 East; 23 South, 31 East, all throughout the  
2 Sand Dunes, the Livingston Ridge, the Lost Tank, the Red  
3 Tank field areas. And so there is an exceptional high  
4 degree of productivity in that interval.

5 And internally, Pogo Producing has taken the  
6 effort to subdivide this interval into recognizable  
7 sandbodies, which we have labeled the BC 1 through the BC  
8 6. And in this particular unit proposal, the BC 4 is what  
9 we identify as the most prospective horizon.

10 Q. Okay, what's the next marker? It's unidentified  
11 on your map. What is that indicating?

12 A. That would be a BC 5 marker.

13 Q. BC 4, and then the one under the BC 4, I assume,  
14 is the BC 3?

15 A. That's correct. And then the lowest division in  
16 this area, the BC 1 and BC 2, tend to be indistinguishable.  
17 There's too much variability. And so we usually just lump  
18 them into the lowermost Brushy Canyon section.

19 Q. Okay. Then your last one being the Bone Spring  
20 marker?

21 A. That's correct, the top of the Bone Spring  
22 limestone.

23 Q. Let's talk about that Pogo Producing Company. Is  
24 that the Axe 25 Federal Number 1?

25 A. That is correct.

1 Q. So this was drilled way after the unit, that  
2 Lincoln Unit, had been --

3 A. Yes, sir. The Lincoln Unit, I believe, had been  
4 expired at least a year prior to us drilling in Section 25,  
5 and it's been, in my estimation, three to four years since  
6 that unit was active.

7 Q. And as I understand it, you tested this BC 4, but  
8 it was uneconomical?

9 A. Well, we did not run pipe and performance tests  
10 on the 25 well, based on the results of our mud log  
11 information and our open-hole information that indicated it  
12 was probably wet at this location.

13 Q. Okay, which leads me up -- Why would you include  
14 this in the unit boundary?

15 A. At this point, its only inclusion is to retain  
16 the 320-acre lease for future potential drilling in the  
17 area.

18 And we have preliminary agreement from the  
19 geology and lease representatives at the BLM office.

20 Q. What was the total depth of that well?

21 A. That well, if you confirm at the log header, it  
22 was drilled to 9100 feet.

23 Q. So it's foreseeable that that could be deepened  
24 at a later date to the Morrow?

25 A. It's possible but unlikely. The casing program

1 and the hole size was designated as a Delaware test. A  
2 deeper well to be drilled on that lease would be a very new  
3 wellbore.

4 Q. Referring to Exhibit Number 2, as I understand  
5 it, this is the structure map which is utilized to  
6 essentially outline the geological boundaries of your unit?

7 A. That's correct.

8 Q. Since you haven't got a preliminary approval from  
9 the BLM yet, is there any feel that you'll have any problem  
10 with that, or was there any questions with the BLM  
11 concerning --

12 A. No, sir, they actually gave us preliminary  
13 approval on the phone yesterday for the outline submitted  
14 based on the structure as seen on this Exhibit Number 2.

15 Q. A verbal preliminary approval from the federal  
16 government?

17 A. That's correct they wanted to make sure we got  
18 all our exhibits submitted to your office as well.

19 EXAMINER STOGNER: Okay. I think we'll hold the  
20 record open till we get some written confirmation, as  
21 Mr. --

22 MR. BRUCE: Yes, sir.

23 EXAMINER STOGNER: -- requested.

24 I don't have any other questions of this witness.  
25 Do you have any, Mr. Bruce?

1 MR. BRUCE: I don't have any further questions.  
2 I do have a proposed order of the Division, a hard copy and  
3 on disc, and we do need to get an order approved by the  
4 Division within the next few days so that we can submit the  
5 matter to the BLM for final approval, because it needs to  
6 be approved effective February 1, or a lease will expire.

7 EXAMINER STOGNER: Mr. Bruce, as far as your  
8 request for the record open for 24 hours or until tomorrow,  
9 can you deliver a copy? Will that be -- Let me back up a  
10 little.

11 Will that preliminary approval come from the  
12 Santa Fe office of the BLM?

13 MR. BRUCE: No, it will come from the Roswell  
14 office.

15 EXAMINER STOGNER: And you can get me a copy of  
16 that?

17 MR. BRUCE: I will get you a copy.

18 EXAMINER STOGNER: Since we're probably doing  
19 everything by fax, if you could bring a fax copy over, that  
20 way we can close everything down and we'll hold up. Then  
21 you can submit a better copy --

22 MR. BRUCE: Okay.

23 EXAMINER STOGNER: -- for the file at a later  
24 date.

25 MR. BRUCE: I will do that.

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EXAMINER STOGNER: If you'll work with me in the next 24 hours on this.

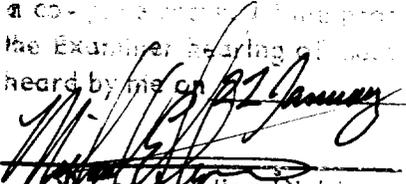
These exhibits will be made part of the record.

And if there's nothing further in this matter, then we'll hold the record for 24 hours for preliminary written approval from the BLM.

Let's take a five-minute recess.

(Thereupon, these proceedings were concluded at 9:18 a.m.)

\* \* \*

I do hereby certify that the foregoing is a correct and true copy of the proceedings in the Examiner's hearing of 1911 heard by me on 21 January 1998.  
  
\_\_\_\_\_, 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 January 23rd, 1998.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998

STEVEN T. BRENNER, CCR  
 (505) 989-9317