

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:)

APPLICATION OF RAPTOR NATURAL PIPELINE,)
 LLC, f/k/a LG&E ENERGY CORPORATION, FOR)
 SPECIAL RULES FOR THE GRAMA RIDGE MORROW)
 GAS STORAGE UNIT, LEA COUNTY, NEW MEXICO)

CASE NOS. 12,588

APPLICATION OF LG&E NATURAL PIPELINE,)
 LLC, FOR SPECIAL RULES FOR THE GRAMA)
 RIDGE MORROW GAS STORAGE UNIT, LEA)
 COUNTY, NEW MEXICO)

and 12,441

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

Special Hearing, Date
 May 21st, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Monday, May 21st, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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OIL CONSERVATION DIV.
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1 A. This is from a Geologic Society of America
2 publication. Just a second. It's titled "The Sedimentary
3 Cover, North American Craton", Geologic Society of America,
4 Volume D2.

5 Q. 1985?

6 A. I believe so, yes. Well, no, what I took from
7 was 1991. It was taken from -- modified from a publication
8 by James in 1985, which I believe is a New Mexico Geologic
9 Survey publication.

10 EXAMINER STOGNER: I have been looking for a map
11 like that, so good presentation. Thank you.

12 Any other redirect, cross-examination, are there
13 other questions of Mr. Looff?

14 You may be excused at this time. I may recall
15 you later, after the next witness.

16 MR. HALL: At this time, Mr. Examiner, we would
17 call John wells to the stand.

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

21 DIRECT EXAMINATION

22 BY MR. HALL:

23 Q. For the record, sir, please state your name.

24 A. John Allen Wells.

25 Q. Mr. Well, where do you live and how are you

1 employed?

2 A. I reside at 3442 Woodbrook Lane, Sugarland,
3 Texas, and I am a principal in the firm of Fairchild and
4 Wells Petroleum Consultants in Houston, Texas.

5 Q. And what is your professional expertise?

6 A. Well, my professional expertise is generally in
7 the area of petroleum reservoir engineering. My specific
8 abilities focus more on the subsurface flow of oil and gas
9 and water and the modeling of those types of -- the physics
10 of that type of processes.

11 Q. Now, have you previously testified before the New
12 Mexico Oil Conservation Division?

13 A. No, I have not.

14 Q. Why don't you give the Hearing Examiner a brief
15 summary of your educational background and work experience?

16 A. I hold a bachelor of science degree in
17 mathematics and chemistry and a master's degree in physics.
18 My career started out in funded research by the Petroleum
19 Research Foundation. I subsequently then was hired by
20 Texaco and worked for seven years in the Bel-Air Research
21 Facility there in Houston, Texas, in various assignments,
22 including field engineering assignments.

23 I then became the engineering manager
24 specializing in gas projects division at Scientific
25 Software Intercomp, an international consulting firm. I

1 was there for seven years and then started my own company
2 and have been providing consulting services at Fairchild
3 and Wells for the last 15 years, and a significant part of
4 our work is in the natural gas storage industry.

5 Q. All right. And you're familiar with the
6 Application that's been filed in this case?

7 A. I am.

8 Q. And you're familiar with the Grama Ridge Morrow
9 Gas Storage Unit?

10 A. Yes, I am.

11 MR. HALL: At this point, Mr. Examiner, we'd
12 offer Mr. Wells as an expert petroleum engineer.

13 EXAMINER STOGNER: Any objection? Mr. Wells,
14 where did you get your degrees?

15 THE WITNESS: Mississippi State University.

16 EXAMINER STOGNER: Both undergrad and grad?

17 THE WITNESS: The undergrad was at Delta State
18 University, and graduate was at Mississippi State
19 University.

20 EXAMINER STOGNER: Where's Delta State?

21 THE WITNESS: Delta State is in Mississippi, it's
22 in Cleveland, Mississippi.

23 EXAMINER STOGNER: So qualified. Thank you, Mr.
24 Wells.

25 Q. (By Mr. Hall) Mr. Wells, again would you explain

1 what Raptor is seeking by this Application and its
2 special --

3 A. Well, what Raptor proposes that this is, is that
4 this Commission promulgate certain special project rules
5 that will govern the completion and plugging practices
6 applied to wells to be drilled within Raptor's gas storage
7 unit in the future, and thereby to establish a protocol
8 such that the possibility of capture or escape of their
9 nonindigenous high-pressure storage gas can be assured.

10 In addition, Raptor feels that these project
11 rules will promote the general public safety.

12 Q. All right. And Mr. Wells, at this point I'd like
13 you too to refer to Exhibit Tab 28 and Order Number 5782
14 [sic] in there. Have you reviewed that order?

15 A. Yes, I have.

16 Q. Can you express from the order what were the
17 concerns of Llano, the applicant in that case?

18 A. Well, Llano's concerns were expressed in the
19 findings of the Commission order, and they were basically
20 threefold: one, that the L&B intended to drill a well that
21 was a direct offset to their storage unit, to Llano's
22 storage unit, and that this storage unit was known to be
23 indeterminate. It's not as the -- as our geologists --
24 earlier geologists have all said that it's just not
25 precisely known, the lateral extent of this Morrow

1 formation. So that was known.

2 And then the third thing was that it would likely
3 cause disruption to the storage facility and the loss of
4 gas or the escape of gas by this well drilling next to
5 them.

6 Q. Is it safe to say that Llano was looking for a
7 way to monitor activity on what they thought might be the
8 storage reservoir and collect data?

9 A. Exactly.

10 Q. And what are the monitoring and data-collection
11 operations currently in place for this --

12 A. Well, I have some exhibits that will -- which --
13 what number those are, I'm not sure.

14 Q. Start with Exhibit 21.

15 A. 21, yeah --

16 EXAMINER STOGNER: Which leads me up -- I don't
17 believe that we accepted Exhibit Number 20. I think I did
18 from 6 to 19, but at this time I'll accept Exhibit 20,
19 which was part of Mr. Löff's presentation.

20 MR. HALL: Yes, so offered. Thank you, Mr.
21 Examiner.

22 THE WITNESS: Exhibit 21, in fact, might be of
23 interest to the Examiner's original question to Mr. Hall,
24 having to do with the lag time between primary production
25 and the start of storage.

1 What this exhibit shows is the chronology of the
2 reservoir pressure that has been measured in the Morrow
3 interval, and this particular pool was discovered in the
4 mid-1960s and was depleted there rapidly. You can see that
5 the pressure in the reservoir declined to less than 1000
6 pounds as measured in some of the wells by 1970.

7 And then shortly thereafter, in 1973, is when
8 injection began. And this figure demonstrates the dynamic
9 nature of this storage facility, how the pressure swings
10 seasonally and annually, and we've had pressures go back up
11 as high as 4000 pounds and as low as slightly less than
12 2000 pounds.

13 The next figure, the next exhibit, 22,
14 demonstrates how Raptor continuously monitors the gas-
15 accounting inventory and the measured pressures, the fall,
16 spring, high inventory, low inventory, shut-in pressure
17 surveys, equilibrated reservoir pressures, to generate
18 essentially a graphical solution to the material balance
19 equation, which provides an indication of what inventory
20 you would expect to have stored at a given pressure.

21 And this relationship, as you can see, is not
22 exact, but the trend line is used to monitor the ongoing
23 performance, and if we see things at some point in the
24 future that appears to get us off of this trend line, then
25 that gives us reason to suspect we've had gas escape or

1 some kind of migration problems or something like that.

2 And Figure 23, this is just to provide the
3 Commission with some additional detailed examples of the
4 kinds of data that are collected at the gas storage unit.

5 This particular exhibit provides a snapshot
6 between October 25th of 2000 and November 30th of 2000 on
7 the first page. You can see that we have for the Grama
8 Ridge Morrow Unit Well Number 1, Number 2, Number 4. These
9 are the daily casing and tubing pressures and injection and
10 withdrawal rates and cumulative volumes.

11 On the second of this exhibit is plotted the
12 tubing pressure and the injection or withdrawal rates that
13 are applied to this well. So you can see that that
14 particular well, that its tubing pressure will move between
15 a high of, oh, you know, 2300 pounds to as low as 100
16 pounds. And during that period of time, the injection --
17 I'm sorry, that's the withdrawal rate.

18 The tubing pressure -- This is not in color, it's
19 not -- I hope your version is in color, but --

20 EXAMINER STOGNER: Mine is in color --

21 THE WITNESS: Yeah, okay --

22 EXAMINER STOGNER: -- it's --

23 THE WITNESS: -- I'm talking about the plot, I'm
24 talking about the plot here.

25 EXAMINER STOGNER: Oh, the plot.

1 THE WITNESS: Yeah.

2 EXAMINER STOGNER: Yes, I have a color version.
3 It's yellow with a magenta line.

4 THE WITNESS: Right. So the green line is the
5 injection withdrawal rate. And so you can see that that's
6 plotted off of the Y axis on the right side of the graph.

7 And so during this period, October 21st to
8 November 30th, this particular well, looking at the green
9 curve, experienced injection that went as high as 15
10 million cubic feet per day, and then it experienced
11 withdrawal that went as high as close to 20 million cubic
12 feet a day. And during that period you can see the
13 corresponding swing in the tubing pressure.

14 The next plot is a similar plot for Grama Ridge
15 Storage Well Number 2, and those are essentially the two
16 wells that experience 99 percent of all the activity that
17 constitutes the storage unit.

18 Q. (By Mr. Hall) So these exhibits show, rather
19 than having a steady state of decline in the reservoir, you
20 have a rather dynamic --

21 A. Exactly.

22 Q. -- pressure situation?

23 A. Right.

24 Q. Refer back again to Order R-7582 under Exhibit
25 Tab 28 --

1 A. Uh-huh.

2 Q. -- and could you explain what type of data the
3 operator of the offsetting Morrow well offsetting the unit
4 was directed by the Division to provide in that case?

5 A. Yeah, that Division order required detailed
6 drilling data to be submitted to the gas storage operator,
7 including the time and the weight on the bit, changes of
8 bit, copies of drill stem tests, mudlog information,
9 samples of drill cuttings, of course a complete suite of
10 logs.

11 And in addition, if the operator, the gas storage
12 operator, was to determine from this information that this
13 well was within their structurally or stratigraphically
14 equivalent unit, then they had -- by virtue of this order,
15 had the right to take over that well for some period of
16 time and actually test it themselves, run an RFT test or
17 things like that.

18 Q. All right. And is Raptor recommending similar
19 well data be provided in conjunction with the order and
20 special project rules that might issue from this
21 proceeding?

22 A. Similar, but certainly to a lesser extent.

23 Q. All right. Let's look at Exhibit 4, the Proposed
24 Special Project Rules and Operating Procedures. If you
25 could briefly go through that for the Hearing Examiner and,

1 for instance, look at the requirement for well data under
2 Rule 5 there, what do these rules propose to do?

3 A. Well, Rule 5 is kind of our notification rule.
4 If you intend to drill within the Raptor Gas Storage Unit,
5 we would ask you, 5. a.), to give us some notification
6 you're getting ready to do that.

7 5. b), we would ask that when you start drilling
8 operations that you would provide us with the normal
9 International Association of Drilling Contractor-type daily
10 drilling reports. We would ask, then, that when you
11 anticipate encountering the top of the Morrow formation
12 with your drill bit, that you kind of let us know when
13 that's going to happen.

14 Other than that, we're just asking for a suite of
15 logs on the well.

16 So Rule 5 is just notification, some what we
17 consider to be non-onerous requests but some daily drilling
18 reports and then a suite of logs, all of which I'm sure
19 this could be kept confidential as was discussed earlier.

20 Rule 6 --

21 Q. Go ahead and explain what additional steps would
22 be required during the various drilling and completion
23 phases.

24 A. Okay. During the completion phase, if the new
25 well or recompletion well within Raptor's unit is intended

1 to be completed above the unitized formation or below the
2 unitized formation, then we are requesting certain
3 procedures in terms of submitting requirements to be
4 implemented to protect the high-pressure nonindigenous gas
5 stored within that unitized interval.

6 If the well is to be -- If it's just an
7 exploratory well they drilled and decide -- don't find
8 anything worth completing, then there's certain plugging
9 requirements that we ask for that are, again, just asking
10 that cement be covered, our unitized formation. We're
11 certainly asking that no completions be allowed directly
12 within the vertical limits of the unitized formation.

13 Q. All right. Let's explain the operation of Rule
14 7, and are there graphic depictions of the operations of
15 each of these rules?

16 A. Yes, we have some exhibits that depict what we're
17 asking for in actually Rules 6. b.) and c.) and Rule 7 and
18 such as that.

19 Q. All right, let's refer to Exhibit 24. Does this
20 graphically demonstrate the application of Rule 6. b.) for
21 completions above the unitized formation?

22 A. Yes. Let me look at this colored one here.

23 Q. As I understand it, the rules that apply when you
24 have a Morrow penetration, first of all.

25 A. Right.

1 Q. Let's work our way down from that circumstance
2 where you have a Morrow penetration and you have casing set
3 into the unitized formation with the completion above the
4 unitized formation.

5 A. Right. This is a depiction of what we're asking
6 for in Rule 6. b.). If we have an operator -- a new well
7 that intends to be drilled into our unitized formation, and
8 they subsequently desire to set their casing within our
9 formation and then complete above the unitized formation,
10 or let's say that they have drilled all the way through our
11 formation and desire to set casing completely -- I don't
12 know why anybody would really do that in the depiction on
13 the right side of the exhibit for Rule 6. b.), but just in
14 case that circumstance occurs, in both cases all we're
15 asking for is that a cement plug cover our unitized
16 formation and that as added protection that the new driller
17 put a cement plug above and below our unitized interval,
18 and then again as additional protection a little block
19 squeeze below their perforated interval.

20 That is what we're asking for in Rule 6. b.), and
21 again it applies to those wells that are drilled into or
22 through our formation and completions above.

23 The next exhibit, 25, this is a depiction of what
24 we're asking for to help protect release of our storage gas
25 in Rule 6. c.). In Rule 6. c.) we contemplate the

1 situation where the hole might be drilled into our unitized
2 formation, but casing is not actually set into the
3 formation, just set the casing above.

4 In that case, on the left side of this exhibit,
5 we're just asking to put a cement plug down there and bring
6 it up at least, you know, 15 feet or so higher than the top
7 of our unitized formation, and then also to do a little
8 block squeeze below their set of perforations.

9 On the right side of that exhibit we contemplate
10 another set of circumstances, possibly, where they drill
11 open-hole through our unitized formation. In this case
12 we'll say, Well, let's give them a break, you don't have to
13 dump cement all the way to TD, you can cut off and set a
14 bridge plug at maybe 15, 20 feet or so below the bottom of
15 our unitized formation and then set your cement plug on top
16 of that, then in addition squeeze below your perforations.

17 On the next exhibit, 26, this applies on the left
18 to Rule 7. b.). Rule 7. b.) contemplates that a well would
19 be drilled into and through our unitized formation, and
20 that operator would subsequently elect to complete in some
21 interval below our unitized formation.

22 If he does that, again, standard request, we're
23 asking that our unitized formation be isolated with block
24 squeezes above and below, and then a block squeeze above
25 his shallowest depth, his shallowest set of perforations.

1 Rule 8. b.) applies to a case where we just --
2 someone has drilled an exploratory well, they log it and
3 decide they're not going to set casing or complete
4 anywhere, so in that case all we're asking is that
5 sufficient cement be put across our formation. And if the
6 well is real deep, you can come up and put a bridge plug
7 there and just fill cement across the unitized formation
8 from that interval.

9 Q. Mr. Wells, in your opinion, based on your
10 experience as well, are these proposed special project
11 rules reasonable?

12 A. Yes, I think they certainly are reasonable, yes.

13 Q. And did the proposed rules impose an undue burden
14 on operators in the area?

15 A. No, I don't believe they do.

16 Q. Is there a precedent from other states for
17 operating procedures like we're proposing here?

18 A. Yes, in fact, I brought an exhibit from the Texas
19 Railroad Commission --

20 Q. Is that Exhibit 27?

21 A. -- Exhibit Number 27. This is a Texas Railroad
22 Commission order having to do with a situation very
23 analogous to what we're dealing with here. The Atkinson
24 Storage Field in Karnes County, Texas, had a unitized
25 interval that was designated within the findings here.

1 And then back in Rule 7 on the last page, the
2 Texas Railroad Commission stated that hereinafter anyone
3 drilling in this field or within the storage unit for
4 completion below the so-called Atkinson gas storage
5 reservoir would be required to block-squeeze cement.

6 And you can see that some of their requirements
7 are more stringent than what we're asking for. They're
8 setting 100 feet below the base of the Atkinson and 150
9 feet above the top. We're just asking for -- you know,
10 we're asking to either cover our zone and give us 15, 20
11 feet or something, top and bottom. They went on here to
12 set similar rules for wells that would be completed --
13 drilled through and completed below.

14 So this, I think, is a good example of, you know,
15 regulatory precedent on what we're asking for.

16 Q. All right. Now, do you understand the injection,
17 storage and withdrawal of gas within the project area to
18 constitute what is known as a common source of supply?

19 A. Yes, I do recognize that it is a common source of
20 supply, with the caveat, however, that this is -- this gas
21 belongs to Raptor, it's non-indigenous gas, it was injected
22 and belongs to them.

23 Q. All right. But the owners of the gas injected
24 within the storage project do have correlative rights to
25 the ownership of that gas?

1 A. Exactly.

2 Q. And would the owner or operator of a newly
3 drilled well, recompleted well penetrating the Morrow
4 formation have any correlative rights in the project gas
5 itself?

6 A. Certainly not.

7 Q. It's separately owned, isn't it?

8 A. Certainly.

9 Q. On the other hand, if a newly drilled well or a
10 recompletion proves to be in communication with the project
11 area, would the correlative rights of the interest owners
12 in the unit gas be adversely affected?

13 A. They would, most certainly.

14 Q. And in your opinion, would the proposed special
15 project rules protect the correlative rights of the unit
16 participants in the project gas?

17 A. They would go a long way towards protecting those
18 correlative rights.

19 Q. All right. Were Exhibits 21 through 27 prepared
20 by you or assembled at your direction?

21 A. They were.

22 MR. HALL: That concludes our direct of this
23 witness. We'd move the admission of Exhibits 21 through
24 27.

25 EXAMINER STOGNER: Any objection?

1 MR. CARR: No objection.

2 EXAMINER STOGNER: Exhibits 21 through 27 will be
3 admitted into evidence.

4 Thank you, Mr. Hall.

5 Mr. Carr, your witness.

6 EXAMINATION

7 BY MR. CARR:

8 Q. Mr. Wells, as I look at these rules, you're not
9 proposing anything for existing wells. Old wells are
10 grandfathered in?

11 A. That's right, these are for new wells to come
12 inside of the unit.

13 Q. And when I look at the and the schematics
14 that you have presented, the only time there would be
15 additional cementing requirements, in fact, is if a well is
16 drilled that penetrates unitized interval; isn't that
17 right?

18 A. Exactly, if you don't penetrate the interval, we
19 don't care anything about it.

20 Q. And as far as you understand, there's no
21 objection to keeping logs or other information confidential
22 unless otherwise required?

23 A. That's certainly up to Raptor, right.

24 Q. You wouldn't see any reason --

25 A. I wouldn't recommend any --

1 Q. We've looked at --

2 A. -- objection.

3 Q. -- prior drafts of rules. Have you seen the
4 earlier drafts that were advanced by LG&E and others?

5 A. The earlier drafts?

6 Q. Drafts of proposed rules?

7 A. Yes, I have.

8 Q. This set of rules has eliminated the buffer zone
9 around the unit.

10 A. Yes.

11 Q. Is it fair to say that there's nothing in these
12 rules that give Raptor the right to take over a wellbore if
13 another operator came in? They're required to cement and
14 do some other things, but they're not like earlier rules
15 where there would be circumstance where the wellbore would
16 have to be turned over?

17 A. Withinside the unit --

18 Q. Yes.

19 A. -- or are you saying outside the unit?

20 Q. Anything in these rules.

21 A. Either one. In any case -- Well, first of all,
22 we're not asking for any project rules -- as I understand
23 it, we're not requesting any special project rules to apply
24 to any well that's outside of these five sections. The
25 wells inside of those five sections, we're not specifically

1 asking to come take over your well. No, we're not asking
2 for that.

3 Q. You're concerned that any of the gas that's
4 injected to the reservoir not be produced by a third party?

5 A. Exactly.

6 Q. It's your gas?

7 A. Right. Not only not produced, but not allowed --
8 unintentionally allowed to have some escape point for
9 the -- behind -- That's the reason for all that cementing,
10 is to make sure we don't have escape points.

11 Q. And if these rules are implemented and wells --
12 if there are additional wells that are properly drilled,
13 this would also protect the rights of other people to
14 develop and produce indigenous gases without interfering
15 with the storage project?

16 A. I'd agree with that, yeah.

17 MR. CARR: That's all I have. Thank you.

18 EXAMINER STOGNER: Any redirect?

19 MR. HALL: Clarify one matter.

20 FURTHER EXAMINATION

21 MR. HALL:

22 Q. Mr. Wells, isn't it the case that the special
23 project rules would in fact apply to wells penetrating the
24 unitized formation as well as wells penetrating the Morrow
25 formation above the unitized formation?

1 A. Yes. I mean, the project rules apply -- I guess
2 that's where we get into some semantics on the definitions
3 of all of that, and that's -- If we have storage gas that
4 potentially resides over some vertical interval, then my
5 recommendation is that we don't allow completion anywhere
6 in that interval.

7 FURTHER EXAMINATION

8 BY MR. CARR:

9 Q. Just one follow-up. I'm not trying to create
10 confusion here. As I looked at the rules, if you don't
11 penetrate the unitized interval, there's really nothing to
12 put a cement plug in or behind, is what my thought was, and
13 so if you don't get to the unitized formation, you probably
14 don't have an additional requirement?

15 A. Right, if you don't drill down to the top or
16 anything, then we have no concern.

17 MR. CARR: That's all I have.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Top of the unitized interval, or top of Morrow
21 formation?

22 A. Well, there we go, see? It's --

23 MR. HALL: And -- Would you like me to address
24 that?

25 EXAMINER STOGNER: I need somebody to address it.

1 MR. HALL: Yes. The way we have provided for
2 these rules to work is to trigger their application when
3 the top of the Morrow formation is penetrated. The
4 additional specific requirements apply where there are
5 actual penetrations of the top of the unitized formation as
6 well, within the Morrow.

7 And now, remember, we have two definitions of
8 unitized formation at work here, under the State unit
9 agreement and the federal unit agreement, and both of those
10 definitions are set forth in Rule 3. It is correct that
11 the unitized formation, the definition set forth in the
12 federal agreement is probably larger vertically than that
13 in the State, which is off of log picks.

14 EXAMINER STOGNER: It's a twofold -- If the
15 Morrow is penetrated, then it triggers, you said --

16 MR. HALL: Yes.

17 EXAMINER STOGNER: -- other stipulations in here?

18 Q. (By Examiner Stogner) Now, Mr. Carr had asked
19 you a question, Mr. Wells, about existing wells. Wouldn't
20 these rules cover those once those wells were plugged and
21 abandoned?

22 A. Well, if a well is to be plugged and abandoned,
23 yes. If there is a current well that penetrates the
24 unitized formation and that well is to be plugged and
25 abandoned, these rules we would ask to be applied to that

1 abandoning situation, yes, or recompletions of wells that
2 may already exist withinside of the unit, certainly.

3 Q. Okay, and that's clear in Rule 5 because it talks
4 about the drilling of a new well, or recompletion of an
5 existing well?

6 A. Right, right.

7 Q. These rules only address the cementing practices,
8 but not stimulation practices; is that correct?

9 A. We have not elected to get into prescribing
10 things about future operators' intention to stimulate their
11 wells, no.

12 MR. HALL: Mr. Examiner, if I might address that
13 point, when we use the phraseology in here, completions or
14 recompletions, you said in the broader sense if there is
15 some, say, fracture stimulation outside of the Morrow or
16 the unitized formation that results in fractures
17 penetrating the unitized formation, I think that might be
18 considered a completion within, and so it's conceivable
19 that they could apply in that context.

20 Q. (By Examiner Stogner) Referring to Exhibit
21 Number 28, whatever happened to that well? Is that well
22 still producing? Did it get turned over?

23 A. Well, no, what they did was -- Yeah, they did
24 turn over the well, and they ran some tests on it, but I
25 don't think that the ultimate disposition of that was that

1 it was found to be in communication. In fact, we've got an
2 interpretation today that shows a fairly major fault that
3 separates the gas storage unit from that well. But at the
4 time, that was additional data that went into helping us to
5 delineate that fault.

6 Q. Is that well still producing?

7 A. I don't know the status of that well, to tell you
8 the truth. Again, you know, the ongoing performance and
9 predictability of the pressure and inventory relationship
10 at the storage unit has been sufficient for the unit
11 operators to feel comfortable if their gas is being
12 maintained within some confines and it hasn't been escaped
13 or produced or anything like that.

14 The problem is that we still contend we don't
15 have a good idea of exactly how far laterally our gas might
16 propagate. But we don't think it propagates to the west of
17 that major fault that separates that Federal Number 1.

18 Q. That original order, or that order from 1984, if
19 that well had been turned over, was there a clause that
20 that unit would have automatically expanded to include that
21 area?

22 A. I'll have to defer on that.

23 MR. HALL: Mr. Examiner, I just don't know the
24 complete history of that. All we do know is that the unit
25 was not expanded to include that, although I would point

1 out that under the Underground Gas Storage Act, the unit
2 operator of gas storage units have the power of eminent
3 domain to condemn acreage like that in such a circumstance.
4 To our knowledge, that was not done.

5 We'll be glad to run down that information,
6 whether that well is still producing, provide that to you.

7 EXAMINER STOGNER: I'll just take administrative
8 record of the Division well files on that particular well.
9 Not only eminent domain, but also it would have been
10 obligated, since somebody's void space was being utilized
11 for commercial properties and not being properly funded,
12 they would have been responsible in that manner, the
13 storage people; is that correct?

14 MR. HALL: Possibly so.

15 EXAMINER STOGNER: Possibly, or probably?

16 MR. HALL: Maybe.

17 EXAMINER STOGNER: Maybe. Hopefully?

18 THE WITNESS: Most likely.

19 EXAMINER STOGNER: Are there any other questions
20 of Mr. Wells?

21 MR. CARR: One.

22 FURTHER EXAMINATION

23 BY MR. CARR:

24 Q. Mr. Wells, have you reviewed any information on
25 the Nearburg well in the north half of Section 34?