

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:

ORIGINAL

AMENDED APPLICATION OF CIMAREZ ENERGY CASE NO. 14124
COMPANY OF COLORADO FOR SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Legal Examiner
 TERRY G. WARNELL, Technical Examiner

February 19, 2009
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Legal Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, February 19, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

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A P P E A R A N C E S

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INDEX

PAGE

WITNESS: CHAD MCGEHEE

Direct Examination by Mr. Bruce	4
Examination by Mr. Ezeanyim	8
Examination by Mr. Ezeanyim	18

WITNESS: JIMMY CARLILE

Direct Examination by Ms. Munds-Dry	22
Examination by Mr. Ezeanyim	23

EXHIBITS A through E ADMITTED INTO EVIDENCE	18
EXHIBIT 17 ADMITTED INTO EVIDENCE	18

REPORTER'S CERTIFICATE 26

1 MR. EZEANYIM: Let's go back on the
2 record. At this point we will call Case Number 14124.
3 This is amended application of Cimarex Energy Company of
4 Colorado for special pool rules, Lea County, New Mexico.
5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing the applicant. I have one witness.

8 MS. MUNDS-DRY: Good morning, Mr.
9 Examiner. Ocean Munds-Dry with the law firm Holland &
10 Hart here representing Fasken Oil & Ranch Limited this
11 morning. I also have one witness.

12 MR. EZEANYIM: Any other appearances? May
13 all the witnesses stand up, state your name and then be
14 sworn in?

15 MR. McGEHEE: I'm Chad McGehee.

16 MR. CARLILE: Jimmy Carlile.

17 [Witnesses sworn.]

18 MR. EZEANYIM: If I'm understanding, this
19 is not a contested case. The attorneys are here on
20 behalf of their clients because they are impressed with
21 this case; right?

22 MR. BRUCE: That is correct. Mr.
23 Examiner, if I could before my witness begins, you heard
24 the original case. Actually, there were two cases.
25 Cimarex had requested -- filed an application requesting

1 special pool rules for the Apache Ridge-Bone Spring Pool,
2 and the request for a 1,300 barrel oil per day top
3 allowable, and a 3,000 to one gas/oil ratio. The
4 Division denied that request, and the cases were appealed
5 de nolo to the commission.

6 However, additional wells have been drilled
7 out here, and the two companies got together and agreed
8 to request a 5,000 to one GOR and no increase in the oil
9 allowable. And so the amended application was filed and
10 the case -- the Cimarex case in front of the commission
11 was remanded back to the Division for hearing. And with
12 that, unless Ocean has a comment --

13 MS. MUNDS-DRY: Mr. Bruce summarizes it
14 correctly.

15 MR. EZEANYIM: Okay. You may begin now.

16 CHAD L. McGEHEE

17 Having been first duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Will you please state your full name and city
21 of residence for the record?

22 A. Yes. Chad Lee McGehee. I live in Seminole,
23 Texas.

24 Q. Who do you work for and in what capacity?

25 A. I work for Cimarex Energy. I'm a senior

1 petroleum engineer.

2 Q. Have you previously testified before the
3 Division?

4 A. Yes, sir.

5 Q. Were your credentials as an expert petroleum
6 engineer accepted as a matter of record?

7 A. Yes, sir.

8 Q. Are you familiar with the engineering matters
9 related to this application?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I tender Mr.
12 McGehee as an expert petroleum engineer.

13 MS. MUNDS-DRY: No objection.

14 MR. EZEANYIM: If there are no objections,
15 Mr. McGehee is so qualified.

16 Q. (By Mr. Bruce) Mr. McGehee, I've got a number
17 of exhibits to go through. Before we commence them, do
18 you have any statements with respect to this case?

19 A. I wasn't in the original hearing. I have read
20 the testimony and agree with the analysis of that. What
21 I'd like to do today is introduce a few of the exhibits
22 from the original hearing, with updated maps showing
23 geology, structure and isopach maps. Then I'll talk
24 briefly on field GOR and production through 2008. That's
25 really what I have to cover today.

1 Q. Let's start -- we don't have a geologist here,
2 but what does exhibit -- Cimarex Exhibit A reflect?

3 A. Exhibit A is eight pages. What it is, in the
4 original hearing, we divided up this Airstrip -- not
5 Airstrip -- Apache Ridge into four separate zones, if you
6 recall. What I've got is, I've got two maps for each
7 zone. One, the original map, and then an updated map,
8 and I'll go through each one very briefly. Just to
9 summarize, before we even go through them, there are very
10 few changes. There are some changes after we got
11 additional data from the Ling wells, and we also drilled
12 a well, so there are some minor. But overall, it doesn't
13 change the fact that this is a homogeneous, laminated
14 reservoir, very complex, and one that, you know, we feel
15 like -- solution gas drive, no gas cap involved in it.

16 With that, the first map here, this is a map
17 showing a portion of Township 19 South, 33 East and 34
18 East, the area of interest. I believe the current pool
19 limits are Section 36 of 1933 and Sections 30, 31 and 32
20 of 1934. Development in the area is -- current
21 production is limited to Cimarex and Fasken.

22 What I have on the map shaded in gray is the
23 structural contour lines of sub C structure, and in red
24 is the isopach for the sand map. As I mentioned, this is
25 the original map as it was presented in the first

1 hearing. The isopach is based on a 12 percent porosity
2 cutoff.

3 Q. And the second page is an updated plat?

4 A. The second page is an updated plat.

5 Additional wells that have been drilled since the first
6 map, in Section 31, the northwest quarter you've got the
7 Ling Federal 5 and Ling Federal 6, Fasken wells.
8 Additionally, in the southeast quarter of 31 1934, is the
9 Ling Federal Number 4. It's a deep well, but we did use
10 the top in updating the map. Basically, structurally,
11 the structure didn't change. The map on the structure is
12 basically the same.

13 MR. EZEANYIM: Is that the same 12 percent
14 porosity on the second one?

15 THE WITNESS: Yes. We kept the same
16 cutoffs for all the maps as we updated them. The only
17 change I note of any significance is on your isopach, on
18 the the second map, you notice in the northwest of 31,
19 there was less development than originally expected in
20 the Lower First Bone Spring Sand. This is the upper zone
21 of the four zones.

22 Q. (By Mr. Bruce) What are the next two pages?

23 A. The next two pages are the Upper Airstrip
24 Interval. We use the 8 percent cutoff on both of these.
25 As you notice, this is a very thin interval. The net pay

1 is 10 foot or less in all the wells on the original map.

2 MR. EZEANYIM: The first two pages, what
3 was that? Because I know this is really complex. There
4 are four producing zones in this area?

5 THE WITNESS: Yes. It's the four
6 producing zones.

7 MR. EZEANYIM: The first set, what is
8 that?

9 THE WITNESS: On the exhibit, that would
10 be what Cimarex called the Lower First Bone Spring Sand.

11 MR. EZEANYIM: Okay. Then the second set
12 of maps, what is that?

13 THE WITNESS: That would be the Upper
14 Airstrip Interval.

15 MR. EZEANYIM: Okay.

16 THE WITNESS: The updated map, basically,
17 what you see is on the fourth page here, is that the
18 contours were completed after Fasken's wells were
19 drilled. That's the geologic interpretation. He tied
20 them together. It's still a very thin interval, although
21 we do know it's productive.

22 MR. EZEANYIM: We have that Ling Federal
23 Number 3 in the northwest?

24 THE WITNESS: Yes, sir. That was in the
25 original. That was drilled early 2008, I believe.

1 MR. EZEANYIM: Go ahead.

2 THE WITNESS: The next two pages are the
3 Airstrip Dolomite. This used a 4 percent porosity cutoff
4 for the mapping. And if you compare the two plats,
5 you'll see the biggest change is Fasken's wells has more
6 development in the Airstrip than we originally mapped. I
7 think the early production results also show pretty good
8 wells in that area. We'll get to production in a few
9 slides. The last zone, which is the bottom zone of the
10 four zones, is called the Basal Sand. This uses an 8
11 percent porosity cutoff and, basically, comparing the two
12 maps, it's unchanged for net pay or structure.

13 MR. EZEANYIM: The Upper Airstrip, what is
14 cutoff porosity?

15 THE WITNESS: The Upper Airstrip was 8
16 percent.

17 MR. EZEANYIM: Okay.

18 THE WITNESS: This was in the original. I
19 did not include it as an exhibit. However, this is the
20 way the Sands looked, if you'd like to see it.

21 MR. EZEANYIM: What does that indicate?

22 THE WITNESS: Basically, we shaded the
23 four pay zones, and this was discussed in detail at the
24 previous hearing.

25 MR. EZEANYIM: I would like to have this.

1 Okay. Go ahead.

2 MR. BRUCE: That was presented by Cimarex
3 in the first hearing, Mr. Examiner.

4 MR. EZEANYIM: Okay.

5 Q. (By Mr. Bruce) Let's start with the
6 production, Mr. McGehee. The next exhibit is marked
7 Exhibit Number 17 from the original hearing. What does
8 this reflect?

9 A. This is a production plot showing oil, water
10 and gas production from 1997 through early 2008. Oil is
11 reflected in green, gas is in red, water is in blue. And
12 what I want to point out on this is the GOR character of
13 the production over time. If you look from 1997 forward
14 to about 2003, we were running about 1,000 GOR. From '03
15 forward, it jumps up to about 1,500 GOR, and I believe
16 this was a dump acid job on one of the wells that opened
17 up the Airstrip and that was, also, in the previous
18 testimony. As of 2008, at the time of this plot, which
19 was in the original documents, we were running it around
20 3,000 GOR.

21 MR. EZEANYIM: This production cost, is
22 this an individual well or overall well?

23 THE WITNESS: No. This is the Apache
24 Ridge Bone Spring combined wells, yes, sir.

25 MR. EZEANYIM: Okay.

1 Q. (By Mr. Bruce) Anything further on that?

2 A. Nothing further. I'll elaborate on the next
3 exhibit.

4 Q. Let's move on to Exhibit B.

5 A. Okay. Exhibit B is a production plot. It is
6 actually monthly production, compared to the daily
7 production on the previous plot. However, I've got
8 monthly production data and daily average included in a
9 table on the second page of the Exhibit B. And what I
10 want to show here is just the continued producing
11 characteristics of the reservoir. You've got oil in
12 green, gas in red, water in blue, and then GOR is the
13 red dash line, and this covers for January '08 through
14 December for the total pool production, our wells and
15 Fasken's wells.

16 And, basically, we hit a peak oil rate in
17 April of about 43,000 a month on the plot, which you'll
18 see on the next slide, clinched about 1,400 barrels of
19 oil a day. We had a GOR of about 2,500 in April. At
20 present, the GOR has continued to climb to over 5,000.
21 At present it's 5,152 at December, and that is in the
22 table on the next page.

23 Q. Again, this is the field-wide production?

24 A. This is field-wide production. As you'll see,
25 on the far right, the source of the data, we had C-115

1 data through October, and the remaining two months were
2 from production Fasken provided and production we put
3 together through our production systems.

4 MR. EZEANYIM: Is this -- this table is on
5 a monthly basis? Is that what you used to do this?

6 THE WITNESS: Yes, sir. We have date and
7 then monthly oil, gas and water in the second, third and
8 fourth columns. And days on are actually days in the
9 month for the purposes of this plot. Then if you move
10 over to the right, you've got average oil, gas and water
11 on a daily basis, barrels per day, mcf per day and
12 barrels per day. Then the next-to-the-last column is the
13 GOR for the field, and these numbers were used in the
14 previous file.

15 MR. EZEANYIM: How many wells are we
16 talking about here, before I forget? Do you know how
17 many wells you used to do this total?

18 THE WITNESS: Yes. If you'll give me just
19 a second. Eighteen wells were used in this plot.

20 MR. EZEANYIM: Eighteen?

21 THE WITNESS: Yes, sir.

22 MR. EZEANYIM: And these 18 wells, if I
23 may ask, were drilled between 1997 and 2008? Between
24 1997 and 2008, is that when all these 18 wells were
25 drilled?

1 THE WITNESS: The majority of the
2 development, I think, was in 2007/2008.

3 MR. EZEANYIM: Majority?

4 THE WITNESS: Yes, sir. The Mescalero 30
5 Fed 1 in the southeast/southeast of Section 30, was
6 originally tested in 1985, and I believe the Penzoil 36
7 State Number 1 in the northeast of the southeast of 36
8 1933 was completed -- it's in the previous record -- in
9 '98 or '99. I've got that data if it's necessary.
10 Cimarex developed the acreage on the east half of 36 in
11 2007/2008, so the majority is recent.

12 Q. (By Mr. Bruce) Let's move on to your next
13 exhibit, Exhibit C. What does that reflect?

14 A. Exhibit C is just a map laying out the current
15 cumulative production listed below the well names. If
16 you see, in green, red and blue is the oil, gas and water
17 cums to date for the wells, and then the yellow boxes are
18 the current production as of December '08 for each of the
19 wells.

20 Q. On a daily basis?

21 A. On a daily basis. What I want to point out
22 here is, again, the production is highly variable among
23 40-acre spacing. It's a very complex reservoir. The
24 best wells are located in the northeast of 36 1933,
25 additionally, in the southeast of 25 1933 and the north

1 half of 31 1934.

2 MR. EZEANYIM: This is interesting. Let's
3 go through this. This is about the more wells that
4 they're using to do this study, about 18 of them?

5 THE WITNESS: Yes, sir.

6 MR. EZEANYIM: Let's take the 77/560/1.
7 What are those numbers? What do they depict? I know
8 maybe some of them are gas? What is that? How do you --
9 on that here, you have 6/37/24, 4/18/6, what are those?

10 THE WITNESS: Do you know on the bottom
11 right is -- what it is, it's the daily oil, gas and water
12 production as of December 2008.

13 MR. EZEANYIM: The first number is oil,
14 and then gas?

15 THE WITNESS: Yes, sir.

16 MR. EZEANYIM: Then the third is water, as
17 of December 2008?

18 THE WITNESS: Yes. And that's taken from
19 the monthly production numbers calculating an average
20 based on days on, days in the month. Or days on,
21 actually, because this was compiled by individual well
22 data.

23 MR. EZEANYIM: This is interesting. So if
24 I look at that, most prolific well is Penzoil 36 State
25 Number 2, 145 barrels a day? No. That's gas. I'm

1 sorry. Okay. Good. I see why you are asking for this
2 5,000.

3 THE WITNESS: Yes, sir.

4 MR. EZEANYIM: Most of these, they are
5 very below the bubble point?

6 THE WITNESS: Yes, they are below the
7 bubble point. Reservoir pressure is 1,500 to 1,800 psi.

8 MR. EZEANYIM: And bubble point is about
9 3,000. It's very discouraging. But what is bubble
10 point, if I may ask, in this zone?

11 THE WITNESS: I've got it here.

12 MR. BRUCE: I think the engineers for both
13 Fasken and Cimarex discussed it last time, and there was
14 a little dispute, but I believe it was about 2,800.

15 THE WITNESS: 2,800 is the number I
16 recall, but I can check.

17 MR. EZEANYIM: Is that about right, 2,800?
18 Is that also consistent that initial pressure is at
19 3,800? Initially that was --

20 THE WITNESS: It was about 3,800.

21 MR. BRUCE: Both engineers agreed that the
22 reservoir is below bubble point.

23 THE WITNESS: Actually, if we get to the
24 next exhibit, we've actually got it in the Division
25 conclusions what the estimated bubble point was along

1 with description of the reservoir.

2 MR. EZEANYIM: Okay. 3,800. And current
3 reservoir pressure -- what is it, about 1,500 --

4 THE WITNESS: You know, I would say 1,500
5 to 1800.

6 Q. (By Mr. Bruce) Why don't we move on to
7 Exhibit D. What is -- Exhibit D is just a portion of the
8 original order in this case, but highlighted on the
9 second page is some data. Could you just briefly review
10 that, Mr. McGehee?

11 A. Yes. Just reiterating, under the Division
12 conclusions, Item 11, this is a solution gas reservoir.
13 That's not contested. We agree that it's highly complex.
14 We also agree that there's no gas cap present because of
15 the thinly laminated sections and the lack of vertical
16 permeability.

17 Item 12, original reservoir pressure was
18 around 3,800 pounds with bubble point between 2,500 and
19 3,000 pounds. The reservoir has been drawn down some
20 since this order was created. And then Item 13,
21 basically, breaks down the four zones that we went
22 through on the maps.

23 Q. Does Cimarex agree with the conclusions the
24 Division has in this order?

25 A. Yes, sir. ✓

1 Q. In your opinion, will increasing the GOR lead
2 to any harm in the reservoir?

3 A. No, sir.

4 Q. And will it lead to a loss of recovered
5 reserves?

6 A. No.

7 Q. In your opinion, is the granting of this
8 application in the interest of conservation and the
9 prevention of the waste?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, Exhibit E is the
12 Affidavit of Notice. The landmen -- Fasken and Cimarex
13 both presented landmen in the first hearing, and the only
14 operators in this pool were Fasken, Matador Production
15 Company and Cimarex, and Exhibit E reflects that this
16 amended application has been sent by me on behalf of
17 Cimarex to Fasken and Matador, and they both received
18 notice of the application.

19 MR. EZEANYIM: Very good.

20 MR. BRUCE: I would move the admission
21 of --

22 Q. (By Mr. Bruce) Mr. McGehee, were exhibits --
23 was Exhibit A compiled from company business records?

24 A. Yes, sir.

25 Q. Were the other remaining exhibits, except for

1 the Notice exhibit, either prepared by you or under your
2 supervision?

3 A. Yes, sir.

4 MR. BRUCE: Mr. Examiner, I move the
5 admission of Exhibits A through E, plus Exhibit 17 from
6 the original hearing.

7 (Exhibits A through E and Exhibit 17 were admitted.)

8 MS. MUNDS-DRY: No objection.

9 MR. EZEANYIM: At this point, A through E
10 plus Exhibit 17 from the first section are admitted.

11 MS. MUNDS-DRY: I have no questions for
12 Mr. McGehee.

13 MR. EZEANYIM: This is -- let's go back
14 to -- what is that? C? That's really -- is that Number
15 1? Does that number have 105 barrels a day?

16 THE WITNESS: I'm sorry. I tried to place
17 the production below the well.

18 MR. EZEANYIM: This one is Number 3, then?

19 THE WITNESS: Yes, sir.

20 MR. EZEANYIM: So 105 barrels, is that
21 what it's currently doing now?

22 THE WITNESS: That was the December
23 production rate. I believe they have a similar issue.
24 They try to keep their production near top allowable, but
25 these wells head and flow and -- so right now, I don't

1 know the exact production at present, but it's near top
2 allowable.

3 MR. EZEANYIM: Very good. Most of these
4 wells have -- they have the same depth bracket
5 allowables, right, most of these wells?

6 THE WITNESS: Yes, sir. All of the wells
7 that are highlighted here have the same depth bracket
8 allowables.

9 MR. WARNELL: There's 20 wells highlighted
10 here, so you mentioned 18 wells before.

11 THE WITNESS: Let me count those again.

12 MR. WARNELL: These are the 20 wells
13 that --

14 MR. BRUCE: He's only an engineer.

15 THE WITNESS: Yes, sir. Two of them don't
16 have production. Being completed January '09 and
17 February '09, there's not production listed on the map.
18 Although early testing indicates they're going to be good
19 wells.

20 MR. EZEANYIM: That comes to a good
21 question now. You know the rules say you have to do
22 2000. What would be the harmful effect if I say I won't
23 give you 5,000, I want you to do that 2000? To ask a
24 different question, why do you want 5,000?

25 THE WITNESS: For economic's sake

1 at this point, because it will not cause harm to the
2 reservoir.

3 MR. EZEANYIM: I know that.

4 THE WITNESS: It becomes an economic issue
5 on us to be able to maximize our production, especially
6 at current economic situation.

7 MR. EZEANYIM: So if we boost it up to
8 5,000 or even 10,000, you get more oil out. Because as
9 you know, the more you get -- if you look at this sheet,
10 immediately you know this is below the bubble point. So
11 is there anything you could do to get more oil than gas?
12 I mean, we're all for it. Do you see what I'm trying
13 to --

14 THE WITNESS: Yes. I agree. And I think
15 there was a lot of discussion by the reservoir engineers
16 in the first testimony, and I didn't bring much of the
17 reservoir engineering, but I felt like it was agreed,
18 even in the order, that this is not a gas cap reservoir.
19 If it was a gas cap reservoir, we would definitely want
20 to limit the GOR, because it would cause harm to the
21 reservoir.

22 MR. EZEANYIM: I understand that.
23 Probably it's not really affected. Okay. I understand
24 what you're trying to do. That's important. Okay. Let
25 me see if I have any more questions here. Let's take --

1 I don't know whether that's Fasken. I don't know. Let's
2 take any of those wells. If you crank it up to 5,000,
3 can we make more than that? Is it possible make more
4 than that?

5 THE WITNESS: On the wells that are not
6 doing very well?

7 MR. EZEANYIM: Yeah.

8 THE WITNESS: Those -- you know, they're
9 not currently limited because of the way the calculation
10 is. They're not making the gas.

11 MR. EZEANYIM: Let's take one. Penzoil
12 Number 3, it's making 145 as of December?

13 THE WITNESS: Yes, sir.

14 MR. EZEANYIM: Okay. I don't know what
15 it's making now. So let's say it's making 100 now. If
16 5,000 were to be approved, on the calculations, what
17 would happen to that production rate?

18 THE WITNESS: Just using these numbers
19 here, the oil production would basically double, so you
20 would go to about 270 barrels of oil a day, and your gas
21 rate would be limited by the gas allowable, which is
22 1,375 mcf a day.

23 MR. EZEANYIM: It's not really double.
24 It's about 2.5, if I use the regulation 5,000 over 2000.

25 THE WITNESS: Okay. Yes, sir. I see what

SSS
MS

1 you're saying.

2 MR. EZEANYIM: Okay. Very good. And have
3 you done a calculation that if we do that -- I don't
4 believe that -- the allowable is 275; right?

5 THE WITNESS: Yes, sir.

6 MR. EZEANYIM: Do you believe that any of
7 them will go above 275?

8 THE WITNESS: We would not allow it,
9 neither would Fasken.

10 MR. EZEANYIM: Okay. Good. Okay. I have
11 no more questions.

12 MS. MUNDS-DRY: We would like to call
13 Jimmy Carlile.

14 MR. EZEANYIM: Go ahead.

15 JIMMY CARLILE

16 Having been first duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MS. MUNDS-DRY:

19 Q. Would you please state your full name for the
20 record?

21 A. Jimmy Don Carlile.

22 Q. Mr. Carlile, where do you reside?

23 A. Midland, Texas.

24 Q. By whom are you employed?

25 A. Fasken Oil & Ranch Limited.

1 Q. What is your position with Fasken?

2 A. Regulatory affairs coordinator.

3 Q. Are you familiar with the amended application
4 that's been filed by Cimarex in this case?

5 A. Yes, I am.

6 Q. What is Fasken's position with regard to this
7 application?

8 A. We completely fully support the application as
9 amended and filed.

10 Q. Why is increased GOR needed for this pool, in
11 Fasken's opinion?

12 A. The last two wells we drilled, the Ling
13 Federal Nos. 5 and 6 have just been completed, and we are
14 currently producing around 135 barrels a day out of the
15 Ling 5 with a gas over ration close to 4,001. That is
16 just the initial reservoir. And the Ling 6 has not -- we
17 just completed it and we're still working on it, but it
18 looks like we will bear similar production off that well.

19 MS. MUNDS-DRY: That's all the questions I
20 have for Mr. Carlile.

21 MR. EZEANYIM: Do you have any questions?

22 MR. WARNELL: No.

23 MR. EZEANYIM: Is that -- you're talking
24 Ling Federal Number 5?

25 THE WITNESS: Yes, which is in the

1 northwest quarter of the northwest.

2 MR. EZEANYIM: Okay.

3 THE WITNESS: And Ling 6 is immediately
4 south. It's the southwest quarter of the northwest
5 quarter.

6 MR. EZEANYIM: When do you complete that
7 well?

8 THE WITNESS: Ling 6, the initial
9 completion was done about two weeks ago, and we're still
10 working on it, trying to get everything working
11 correctly.

12 MR. EZEANYIM: So it's not producing right
13 now?

14 THE WITNESS: It's making some production
15 right now, but we just hadn't got it stabilized.

16 MR. EZEANYIM: Do you know how it will
17 come in?

18 THE WITNESS: It will be approximately 130
19 barrels a day and around 600 mcf a day is my guess.

20 MR. EZEANYIM: 600 mcf?

21 THE WITNESS: Yes.

22 MR. EZEANYIM: You're currently about
23 4,000 gas over ration. What is the reservoir pressure of
24 this one now?

25 THE WITNESS: The reservoir pressure of

1 these wells are between 1,300 and 1,500 pounds from what
2 I remember the pressure when we drilled them.

3 MR. EZEANYIM: Okay. I see. You don't
4 see your wells going above the allowable of 275?

5 THE WITNESS: We do not.

6 MR. EZEANYIM: That's all I have.

7 MS. MUNDS-DRY: Thank you. I have nothing
8 further.

9 MR. BRUCE: I have nothing further in this
10 matter.

11 MR. EZEANYIM: Okay. At this point Case
12 14124 will be taken under advisement.

13 * * *

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18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 14124
21 heard by me on _____, Examiner
22 Oil Conservation Division
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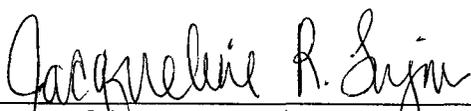
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on February 19, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 23rd day of February,
2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009