

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. 11,165
)
 APPLICATION OF NAUMANN OIL AND)
 GAS, INC.)
 _____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 15, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, December 15, 1994, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before 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

December 15th, 1994
 Examiner Hearing
 CASE NO. 11,165

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 1:20 p.m.:

3 EXAMINER STOGNER: Call next case, Number 11,165.

4 MR. CARROLL: Application of Naumann Oil and Gas,
5 Inc., for compulsory pooling, a nonstandard gas proration
6 unit and an unorthodox gas well location, Lea County, New
7 Mexico.

8 EXAMINER STOGNER: At this time I'll call for
9 appearances.

10 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
11 the Santa Fe law firm of Kellahin and Kellahin, appearing
12 on behalf of the Applicant, and I have two witnesses to be
13 sworn.

14 EXAMINER STOGNER: Will the witnesses please
15 stand to be sworn?

16 (Thereupon, the witnesses were sworn.)

17 EXAMINER STOGNER: Mr. Kellahin?

18 DAVID FRYE,
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. KELLAHIN:

23 Q. Mr. Frye, would you please state your name and
24 occupation?

25 A. David Frye. I'm a landman.

1 Q. Mr. Frye, where do you reside, sir?

2 A. Plano, Texas.

3 Q. On past occasions, have you testified as a
4 petroleum landman before the Oil Conservation Division?

5 A. Yes, I have.

6 Q. What has been your involvement in this
7 Application by Naumann Oil and Gas, Inc.?

8 A. I sent out the original letters offering --
9 asking the working interest owners in the proposed unit to
10 participate in the well, or in the alternative, to make
11 some other arrangement for their interest.

12 Q. Are you knowledgeable about the interest
13 ownership within Section 6 that would be entitled to share
14 in the production from this re-entry if it's successful?

15 A. Yes, I am.

16 MR. KELLAHIN: We tender Mr. Frye as an expert
17 petroleum landman.

18 EXAMINER STOGNER: Mr. Fry is so qualified as a
19 petroleum landman.

20 Q. (By Mr. Kellahin) All right, sir. Summarize for
21 us what you and Mr. Naumann for Naumann Oil and Gas, Inc.,
22 are proposing to do with this well, Mr. Frye.

23 A. We propose to deepen the well to the Devonian
24 formation and hope to produce it as a west-half proration
25 unit.

1 Q. What's the current status of this well?

2 A. The well hasn't produced. It's temporarily
3 abandoned, and it has not produced since 1991.

4 Q. How is this well known by the Division records in
5 terms of who originally drilled it?

6 A. The well was originally drilled by Arco Oil and
7 Gas. The most recent operator of the lease is Dakota
8 Resources; they're the operator of record.

9 Q. What's happened to Dakota Resources' interest in
10 the well and in the spacing unit?

11 A. Naumann Oil and Gas and Logro Corporation has
12 acquired the rights to deepen the well from Dakota
13 Resources. They still have an interest in the lease.

14 Q. Was that well drilled pursuant to any type of
15 agreement between any of the parties that participated in
16 the original costs of drilling the well?

17 A. The well was originally drilled under an
18 operating agreement by Arco and several other parties.

19 Q. Do you have an opinion as a landman as to whether
20 that original joint operating agreement has expired or
21 whether it continues now?

22 A. The original operating agreement provided that it
23 would expire 90 days after cessation of production of the
24 initial well, and that has happened.

25 Q. And when did that period occur?

1 A. I believe the last production was July of 1991,
2 which would make expiration of the agreement October of the
3 same year.

4 Q. If the well is successfully re-entered and
5 completed in the Devonian and is classified as a gas well,
6 and the spacing unit is oriented for a west-half spacing
7 unit, who are the parties that are entitled to share in
8 that production?

9 A. Of course, Logro Corporation, Texaco Exploration
10 and Production, Unocal and Phillips.

11 Q. Have you had negotiations and discussions with
12 those other companies about their willingness to
13 voluntarily participate in this activity?

14 A. Yes, sir.

15 Q. Do you have a document or correspondence that
16 shows your first written proposal to those various
17 companies for their participation?

18 A. Yes, sir, our Exhibit Number 1, the October 24th
19 letter to Texaco, Unocal and Phillips.

20 Q. Describe for us what you are communicating to
21 them.

22 A. What I tried to tell in this letter was that I
23 had acquired the rights of one of the owners in the
24 proration unit, that Naumann Oil and Gas, my partner and I,
25 propose to deepen the well to 10,160 feet and attempt a

1 completion in the Devonian formation, as well as form a
2 west-half proration unit.

3 Q. Did you advise those potential participants of
4 the estimated cost for that activity?

5 A. Yes, sir, we attached an AFE in the amount of
6 \$101,200.

7 Q. To your knowledge, what did that expenditure of
8 money -- to what activity was it attributed?

9 A. That expenditure was attributed to the re-
10 entering the well, deepening, and perforating in the
11 Devonian.

12 Q. All right. Were you asking any compensation or
13 reimbursement for the other interest owners for the cost or
14 the value of the existing wellbore?

15 A. No, sir.

16 Q. So all we're dealing here is with the anticipated
17 costs for re-entry, deepening and completion work?

18 A. That's correct.

19 Q. Did you have any written correspondence back from
20 any of these companies that would participate in this
21 prospect?

22 A. No, sir, I haven't.

23 Q. Did you have any telephone conversations with
24 them?

25 A. Yes, sir, I've talked with all three

1 organizations, each of them five to ten times since I sent
2 the letter.

3 Q. All right. Summarize for us, what is the current
4 -- your understanding of the current position Texaco has
5 taken with regards to this matter.

6 A. Texaco is still attempting to decide whether they
7 want to participate or not. They asked us for an offer to
8 purchase their interest in the well, which we've made.
9 They have not responded to that.

10 Q. All right. Unocal, what's your understanding of
11 the current status of negotiations with that company?

12 A. Unocal's situation is such, because of a
13 contractual agreement with Phillips, they're unable to make
14 any kind of decision until Phillips makes an election.

15 Q. All right. And then have you talked to
16 representatives of Phillips Petroleum Company?

17 A. Yes, sir, I have met with Phillips and talked to
18 them on the phone. They have been unable to decide what
19 they want to do at this juncture.

20 Q. Do you have an opinion as to whether further
21 delay in negotiating the opportunity for participation is
22 going to be successful?

23 A. I do not believe any more delay will lead to a
24 negotiated settlement.

25 Q. All right. Let's turn to Exhibit 2, then, Mr.

1 Frye. Would you identify and describe that for us?

2 A. Exhibit 2 is an AFE from Naumann Oil and Gas,
3 Inc., which outlines the expenses estimated to be incurred
4 in the re-entry and deepening of the well.

5 Q. Is this the same AFE that you provided to these
6 other parties?

7 A. Yes, sir.

8 Q. Did you receive any objection from any of those
9 parties as to the estimated costs of this work?

10 A. No, sir.

11 Q. Did you receive any objection from them that
12 Naumann be designated the operator of the prospect?

13 A. No.

14 Q. Any objection to any of the suggestions you made
15 about participation?

16 A. No.

17 Q. They simply couldn't get around to deciding?

18 A. That is correct.

19 Q. Do you have a recommendation to the Examiner as
20 to an overhead rate for -- on a monthly basis during the
21 conduct of this activity and then a monthly well producing
22 rate if you're successful in producing this well?

23 A. Yes, sir, I would recommend \$4000 as -- for the
24 drilling well rate and \$350 per month for the producing
25 well rate under the JOA.

1 Q. And how do those recommendations compare to the
2 1995 publication by Ernst and Young of their tabulation of
3 average wellbore overhead rates for drilling and producing
4 wells?

5 A. I believe they're less than the current rates.

6 Q. When are you and Mr. Naumann prepared to engage
7 in the re-entry and deepening of this well?

8 A. We would be willing to start just as soon as we
9 had all the interests accounted for.

10 MR. KELLAHIN: All right, sir. That concludes my
11 examination of Mr. Frye.

12 We move the introduction of his Exhibits 1 and 2.

13 EXAMINER STOGNER: Exhibits 1 and 2 will be
14 admitted into evidence.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. Mr. Frye, It's my understanding that Naumann has
18 authorization -- is that what you said? -- to re-enter this
19 well; is that correct?

20 A. From the current operator. Once we have
21 everything together, we will take over operations and
22 commence operations.

23 We have an agreement with --

24 Q. Oh, okay.

25 A. -- Dakota Resources.

1 Q. There's an agreement outstanding?

2 A. Yes, sir.

3 Q. And Exhibit Number 2 reflects this drilling from
4 the -- What's the present depth of this well?

5 A. I believe it's 9594 feet.

6 Q. So you plan to deepen it down to 10,160; is that
7 correct?

8 A. Yes, sir.

9 Q. So an additional 700 feet, roughly?

10 A. Yes, sir.

11 Q. The interest of Texaco, Unocal and Phillips, that
12 represents what percentage of this proration unit?

13 A. Unocal and Phillips' interest represents 50
14 percent, and Texaco's represents one-eighth. So it would
15 be five-eighths total.

16 Q. And that's over the whole 320 acres?

17 A. Yes, sir.

18 Q. How many other interest owners are represented by
19 Naumann in this particular matter, as far as like Dakota
20 Resources and --

21 A. That would be Dakota Resources, Petroquest and
22 us. That's all.

23 Q. And you all -- You control what percentage?

24 A. The remaining -- What's that? Four-eighths,
25 half --

1 MR. KELLAHIN: You get three-eighths, right?

2 THE WITNESS: Three-eighths.

3 EXAMINER STOGNER: Three-eighths percent, okay --
4 or three-eighths, rather.

5 I have no other questions of this witness.

6 MR. KELLAHIN: Mr. Examiner, your questions
7 reminded me of one small point in this case.

8 FURTHER EXAMINATION

9 BY MR. KELLAHIN:

10 Q. We, in fact, are not dealing with a standard 320
11 spacing unit, are we, Mr. Frye?

12 A. No, sir.

13 Q. You've got a slightly undersized spacing unit as
14 a result of government survey?

15 A. Yes, sir.

16 Q. Would you describe for us -- Do you have a map or
17 something that can describe for us the lot arrangement
18 within the west half of Section 6 so that the Examiner will
19 have that information?

20 A. Yes, sir, lot 3, which is commonly known as the
21 northeast of the northwest of Section 6, is 39.96 acres.

22 Lot 4, which would be the northwest of the
23 northwest, is 38.16 acres.

24 Lot 5 is 38.22.

25 Lot 6 is 38.28.

1 And lot 7 is 38.33.

2 Q. Okay. And that simply results as a matter of
3 government survey?

4 A. Yes, sir.

5 Q. You are on a township boundary where there has
6 been an adjustment, apparently, and it has resulted in lot
7 sizes that are different than a typical 40-acre tract?

8 A. Yes, sir.

9 MR. KELLAHIN: All right. Would you like a copy
10 of the map, Mr. Examiner?

11 EXAMINER STOGNER: Actually, in preparation for
12 the advertisement, I have a couple of maps that reflect
13 that, one from Midland Map Company and one from our own
14 personal Ongard system.

15 MR. KELLAHIN: Oooh.

16 EXAMINER STOGNER: I think that that would be
17 sufficient.

18 MR. KELLAHIN: All right. Thank you, Mr.
19 Examiner.

20 EXAMINER STOGNER: Do you want a copy of the
21 Ongard plat?

22 MR. KELLAHIN: I probably wouldn't understand it,
23 Mr. Examiner.

24 Call Jack Naumann at this time.

25 (Off the record)

1 JACK NAUMANN,

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

4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q. For the record, sir, would you please state your
7 name and occupation?

8 A. Jack Naumann, I'm a geologist.

9 Q. Mr. Naumann, on prior occasions have you
10 testified before the Division and qualified as an expert
11 petroleum geologist?

12 A. Yes, I have.

13 Q. Are you also the principal in the company that
14 we've described here as Naumann Oil and Gas, Inc.?

15 A. Yes, I am.

16 Q. And based upon your own professional experience
17 as a geologist, do you now have conclusions about the
18 opportunity to re-enter this old well and attempt to
19 complete it as a Devonian gas producer?

20 A. Yes.

21 MR. KELLAHIN: We tender Mr. Naumann as an expert
22 petroleum geologist.

23 EXAMINER STOGNER: Mr. Naumann is so qualified.

24 Q. (By Mr. Kellahin) If you'll turn with me, Mr.
25 Naumann, to your first display which is identified as

1 Exhibit 3, identify that for us.

2 A. Exhibit 3 is a structure map of the top of the
3 Devonian formation for this particular field, I believe,
4 the Custer field.

5 Q. All right. When we look at Section 6 and the
6 west half of that section, identify for us how you have
7 shown, first of all, the surface location of the subject
8 well.

9 A. Okay. If you notice in the west half, there's a
10 dryhole symbol there with a minus 7700. That was the
11 surface location of this well when it was originally
12 drilled.

13 This well was drilled, and they found that they
14 encountered the Devonian -- they were on the downthrown
15 side of this fault block feature here.

16 They then came back and directionally drilled to
17 the location where, if you notice, that arrow says
18 "proposed re-entry", and identified with the subsea of
19 minus 6748. That's where the current bottomhole location
20 of the well is.

21 Q. Give us the short summary of the history of that
22 initial well and the effort to obtain production.

23 A. Well, briefly, as I mentioned to you, they
24 drilled the well, they encountered -- this was, I think
25 to -- at first to be an Ellenburger test. They did not

1 reach the Devonian, actually.

2 They got into the top of the Woodford shale on
3 the initial test and at that point decided they were on the
4 downthrown side of the fault. They then whipstocked it
5 over, drilled the well down to, I believe, the Ellenburger
6 formation where they did not encounter any commercial gas.

7 They drilled through the Devonian formation, and
8 subsequently the did not run any production tests as of
9 record through the Devonian. They subsequently went up to
10 what appears to be the Mississippian lime formation,
11 perforated that and produced gas.

12 Q. Why is this wellbore now of interest to you?

13 A. From my study of the logs and where this well is
14 situated, I think that the Devonian is probably productive
15 here.

16 Q. All right, what is the significance of this
17 dashed line that runs north-south on the display?

18 A. Okay, the dashed line represents the
19 approximation of the location of the fault.

20 Q. How were you able to make that approximation?

21 A. Basically from where the fault was encountered,
22 from where the well was directionally drilled, and also
23 from some seismic data to the north across an east-west
24 line across Section 31.

25 Q. When we look at the other wells that are colored

1 with the green dots, what significance do those wells have
2 in this interpretation?

3 A. Okay, the green-dot designations designate
4 Devonian production.

5 Q. How have you utilized that information to draw
6 your structure map?

7 A. Again, from where the Devonian was encountered in
8 these wellbores, taking the subseas and coming up with the
9 structure maps that we have.

10 Q. What, in your opinion as a geologist, is the
11 logical orientation of the spacing unit that's most
12 appropriate in Section 6 for dedication to potential
13 production from the Devonian gas formation?

14 A. Well, as you can see, basically, from the
15 delineation of the fault that we have, that the majority of
16 the Devonian feature, the productive acreage, occurs on the
17 west half of Section 6.

18 Q. Have you made an assessment, not only as a
19 geologist but as the principal of your company, as to the
20 magnitude of risk that is involved in this re-entry?

21 A. Well, riskwise, we don't really have a geologic
22 risk here. The risk that I've looked at, more than
23 anything, is probably a drainage risk. The offsetting
24 wells have produced quite a large amount of gas, and
25 volumetrically and decline-ratewise, that's of great

1 concern to us, is the drainage aspect.

2 Another thing that is concerning to me is, when
3 they drilled this well into the Devonian, they basically
4 did not see any indications of production, but they went in
5 with an overbalanced hydrostatic mud system, they were
6 probably 4000 pounds, at least, overbalanced at that point
7 in time to the current reservoir pressure.

8 I think we're looking, I feel quite certain, at a
9 fairly heavily damaged, skin-damaged formation, and whether
10 or not we can treat past that is obviously of concern.

11 Plus there's also, I think, a perforation tool
12 that needs to be fished out of the hole, but I think that's
13 of minor risk.

14 Q. Quantify for us your concern about the risk in
15 terms of offset drainage. When you look in Section 1, what
16 is the cumulative gas production that has been produced out
17 of that Devonian well in Section 1?

18 A. Okay, the well in Section 1, as of the end of
19 1993, has produced 16.6 billion cubic feet of gas.

20 Q. And what does that tell you? That there is an
21 opportunity for what?

22 A. Well, again based off the volumetrics, depending
23 on how you calculate these things, this again has drained
24 quite an extensive area from the one producing well there,
25 and more than likely has drained into Section 6.

1 Q. When you put all those risk factors together, can
2 you put it in terms of a percentage? The Division is
3 allowed to award a maximum risk factor penalty in these
4 types of cases of the cost of the work plus two more times,
5 a 200-percent number, if you will.

6 Within that range, what is your recommendation as
7 to a penalty?

8 A. My recommendation is 200 percent.

9 Q. Let's go into some of the other details about
10 your effort. I see on the structure map you have also
11 dashed in a line of cross-section. If you'll turn to the
12 cross-section, Exhibit 4, identify and describe that for
13 us.

14 A. All right. The cross-section, Exhibit 4, as you
15 can see back on the structure map, the Exhibit 3, I've got
16 it delineated by A to A'.

17 A', the well located there, is the Arco Custer
18 Well State Number 1, which is our proposed re-entry to go
19 back into the Devonian.

20 Q. The well in the center is the one that's cum'd 17
21 BCF?

22 A. That's correct.

23 Q. And to achieve that level of productivity, where
24 did they put their perforations?

25 A. In the very top of the Devonian section.

1 Q. As marked by the pink shading?

2 A. That's correct, I've got the perforations
3 highlighted in pink, as well as the interval.

4 Q. When you compare what Conoco did in the well in
5 Section 1 versus what Arco did in your re-entry, in terms
6 of perforating, what do you see?

7 A. Well, again, basically you can see the
8 identification of the Mississippian lime, the Woodford
9 shale and the Devonian section, and the reported
10 perforations on the Arco well indicate that the well was
11 actually perforated in the Mississippian lime section.

12 Q. When you go, then, to the well in the farther --
13 in Section 36, I guess, on the far left of the display,
14 that is a Shell well?

15 A. That is correct.

16 Q. And it was a Devonian producer, and you show
17 their perforations?

18 A. Yes. As you can see again, the perforations are
19 delineated just in the very top of the Devonian formation.

20 Q. Okay, those are the two wells that provide the
21 most immediate control in this area?

22 A. That is correct, yes.

23 Q. As you move farther south, the well is not on the
24 cross-section, but if you go down south into Section 7,
25 there's another control point in feature. How successful

1 is that well?

2 A. That was a successful Devonian producer. It was
3 probably the latest -- as a matter of fact, I know it was,
4 it was the last completed well, which was, I believe,
5 completed in 5 of 1982. And it to date has made roughly --
6 or at least to the end of 1993, 4.6 BCF of gas.

7 Q. Okay. Let's turn now to your summary of your
8 re-entry and completion procedures that you've provided on
9 Exhibit 5. Describe for us what you propose to do in a
10 summary fashion.

11 A. Okay, basically what we're going to do is move
12 in, we'll rig up on the well. There is, as I mentioned to
13 you, a perforating gun that was dropped and left in the
14 hole, and that will need to be fished out.

15 And then we will have to go in and drill out a
16 cement plug, which I believe is at 9594, drill that out.
17 We'll then go down to the Devonian formation and perforate
18 that and attempt to complete it as a gas well.

19 One thing I'd like to mention is, on the AFE, my
20 treatment on that is basically just set up for a slight
21 acid wash, which has been the standard procedure of
22 treatment on the Devonian wells in through here, but I
23 mention to you --

24 Q. Why might that not be sufficient for this
25 particular well?

1 A. Well, I'm concerned again about the formation
2 damage.

3 We might have to go in and do a bigger
4 stimulation, and that is not included on the AFE that I
5 have here.

6 Q. And you will not know the necessity for that item
7 until you actually begin to do this work and find out if
8 the first acid wash is in effect?

9 A. That's exactly correct.

10 Q. All right. And once you reach that decision,
11 then, the AFE could substantially increase if you have to
12 do significant stimulation?

13 A. That's correct.

14 Q. And therein lies one of the significant risks?

15 A. Sure.

16 Q. All right. What's your timing for this work, Mr.
17 Naumann?

18 A. As soon as we can basically get everything put
19 together, we're ready to go ahead.

20 MR. KELLAHIN: All, right, sir.

21 That concludes my examination of Mr. Naumann.

22 We move the introduction of his exhibits, which
23 are 3, 4 and 5.

24 EXAMINER STOGNER: Exhibits 3, 4 and 5 will be
25 admitted into evidence.

EXAMINATION

1
2 BY EXAMINER STOGNER:

3 Q. Mr. Naumann, I want to make sure we've got the
4 right well we're talking about now.

5 On your Exhibit Number 3, your arrow as pointed
6 toward -- Well, did you say that was the downhole, or is
7 that the surface?

8 A. That's the bottomhole location. The surface
9 location is the dryhole symbol.

10 Q. Uh-huh. So this well was directionally drilled?

11 A. Yes, they -- As I mentioned to you, they drilled
12 down, found that they were on the downthrown side of the
13 fault, came back up and directionally drilled to the
14 location identified there by the gas symbol.

15 Q. Okay. Now, how will that affect your deepening?
16 Will that be also directionally drilled or you just
17 don't --

18 A. No, we don't have to deepen it; the Devonian has
19 been penetrated in this wellbore.

20 What we have to do is, there's a plug -- If you
21 notice on the procedure, Exhibit 5, I think in item number
22 3, there's a plugback TD of 9594. I believe the well was
23 directionally drilled. I don't have that depth, but it was
24 a little deeper than 12,000 feet, where they ended up
25 finally directionally.

1 But what we plan to do is to drill out -- fish
2 out the perforating guns on top of the plugback TD at 9594.
3 And there's actually casing across the Devonian, so there
4 won't be any actual deepening, per se, you know, to drill
5 the well.

6 EXAMINER STOGNER: Mr. Kellahin, I'll take
7 administrative notice of our records here on file with the
8 OCD on this particular well.

9 I thought I had told them, but I don't recall
10 seeing a directional drilling application or --

11 MR. KELLAHIN: Well, and I've copied that same
12 file in here, Mr. Examiner, and I've just thumbed through
13 it, and I don't see any intentional deviation approvals for
14 this well, and I don't know how it happened, I don't know
15 how Arco permitted the well.

16 EXAMINER STOGNER: Do you have the well file?

17 MR. KELLAHIN: Yes, sir.

18 EXAMINER STOGNER: May I review it real quick?

19 Is this what you got out of our records?

20 MR. KELLAHIN: Yes, sir, the ones here in
21 Santa Fe. We just copied everything in the file.

22 THE WITNESS: Mr. Examiner, I do have directional
23 reports here and bottomhole surveys that I can get you a
24 copy of if you want.

25 EXAMINER STOGNER: Yeah, let's make a -- Yeah, if

1 you would, make copies of that and let's put that on the
2 record.

3 Okay, if you'll provide that information
4 subsequent to today's hearing --

5 MR. KELLAHIN: Yes, sir, I'd be happy to.

6 EXAMINER STOGNER: I'll take administrative
7 notice of whatever records we have here. If there's a
8 problem, I'll be in contact --

9 MR. KELLAHIN: All right, sir.

10 EXAMINER STOGNER: -- back with you, Mr.
11 Kellahin.

12 The surface location is denoted correctly on the
13 advertisement, but for additional information I always put
14 the unit letter in there, and that's always just for
15 informational purposes, so obviously that's not right, but
16 it won't have to be readvertised.

17 At this particular point, let's see, what
18 exhibits do we need to introduce at this point?

19 MR. KELLAHIN: Exhibits 1 through 5. In
20 addition, Exhibit 6, which I'm handing to you, is our
21 certificate of notice for this hearing, for parties. I
22 think --

23 MR. CARROLL: I have one.

24 MR. KELLAHIN: -- we've given you -- Do you have
25 one?

1 MR. CARROLL: (Nods)

2 MR. KELLAHIN: All right, then there's one in
3 your package as well.

4 So it's Exhibits 1 through 6, Mr. Examiner.

5 EXAMINER STOGNER: Exhibits 1 through 6 will be
6 admitted into evidence at this time.

7 MR. KELLAHIN: And then after the hearing we will
8 submit to you copies of the deviation report and the survey
9 that Mr. Naumann has.

10 EXAMINER STOGNER: Okay. And with that, at this
11 time I'll take it under advisement.

12 Should there be some additional information, I'll
13 be in contact with Mr. Kellahin to --

14 MR. KELLAHIN: -- sort it out.

15 EXAMINER STOGNER: Yeah, if there is a problem.

16 Okay, thank you.

17 (Thereupon, these proceedings were concluded at
18 1:50 p.m.)

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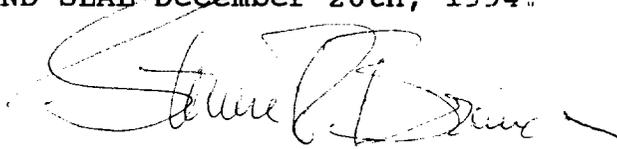
CERTIFICATE OF REPORTER

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.

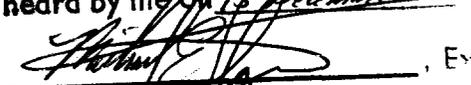
WITNESS MY HAND AND SEAL December 20th, 1994.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 11165 heard by me on 15 December 1994



Oil Conservation Division