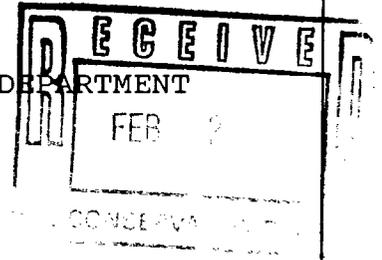


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF CONOCO, INC., TO AMEND)
DIVISION ADMINISTRATIVE ORDER DHC-1170,)
LEA COUNTY, NEW MEXICO)

CASE NO. 11,459

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 8th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 8th, 1996, 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.

* * *

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February 8th, 1996
 Examiner Hearing
 CASE NO. 11,459

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<u>DAMIAN G. BARRETT</u> (Engineer)	
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A P P E A R A N C E S

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:20 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 11,459.

5 MR. CARROLL: Application of Conoco, Inc., to
6 amend Division Administrative Order DHC-1170, Lea County,
7 New Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the law firm of Kellahin and Kellahin, Santa Fe, New
11 Mexico, appearing on behalf of the Applicant, and I have
12 one witness to be sworn.

13 EXAMINER STOGNER: Are there any other
14 appearances?

15 Will the witness please stand to be sworn at this
16 time?

17 (Thereupon, the witness was sworn.)

18 MR. KELLAHIN: Mr. Examiner, we're seeking the
19 amendment of a Division-approved administrative commingling
20 order for this well. We have been authorized for the
21 Warren Unit Well 95 to commingle production from the
22 Blinebry Oil and Gas Pool with production from the Warren-
23 Tubb Gas Pool.

24 Because of the limitations of Rule 303 F, when
25 the allowable was assigned for this well under the

1 administrative approval, we were limited to a gas
2 allowable, calculated based upon a limiting gas-oil ratio
3 to one of the pools.

4 As a consequence of that, we want to present
5 through the hearing process a request that the allowable be
6 assigned so that additional gas can be produced from this
7 well.

8 The package of exhibits and the presentation that
9 Mr. Barrett will present to you -- he's a petroleum
10 engineer -- indicates that if we restrict this well to the
11 current assigned gas allowable, the oil production
12 dramatically decreases. We have a reservoir-waste issue to
13 present to you, and with your approval I'll present Mr.
14 Barrett, who has compiled the exhibits and will present the
15 testimony.

16 DAMIAN G. BARRETT,

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

19 DIRECT EXAMINATION

20 BY MR. KELLAHIN:

21 Q. Mr. Barrett, for the record, sir, would you
22 please state your name and occupation?

23 A. My name is Damian Barrett. I'm a reservoir
24 engineer for Conoco in Midland, Texas.

25 Q. On prior occasions, Mr. Barrett, have you

1 testified before the Division and qualified as a petroleum
2 engineer?

3 A. Yes, I have.

4 Q. Pursuant to your employment, have you made an
5 engineering study with regards to the facts surrounding
6 this particular Application?

7 A. Yes, I have.

8 Q. And as a result of that study, do you now have
9 conclusions and opinions with regards to this well?

10 A. Yes, I do.

11 Q. Do you have recommendations to the Examiner as to
12 how to establish the appropriate gas allowable for this
13 well and how to make an appropriate allocation of the
14 hydrocarbon production so that interest owners in each
15 reservoir receive their appropriate share?

16 A. Yes, I do.

17 MR. KELLAHIN: We tender Mr. Barrett as an expert
18 petroleum engineer.

19 EXAMINER STOGNER: Mr. Barrett is so qualified.

20 Q. (By Mr. Kellahin) Let's take a look at this
21 well, and as we do, talk about some of the specific
22 details.

23 Let's start with the reference map, Mr. Barrett.
24 If you'll turn through the exhibit package cover to the
25 first exhibit number, identify for us the well that's in

1 question, and then let's talk about how these various
2 boundaries are coded.

3 A. Okay.

4 Q. Where is the subject well?

5 A. The subject well is Warren Unit 95. It's in the
6 southeast corner of Section 28, in the Warren Unit.

7 The Warren Unit is the solid black boundary that
8 covers roughly five and a half sections.

9 Q. Describe for us, in the Warren Unit itself, do
10 we have a unit method whereby the interest owners in both
11 these pools have had their interests consolidated?

12 A. Yes, we do.

13 Q. And Conoco is the operator of the unit?

14 A. That's correct.

15 Q. When we look within the unit boundary, there is a
16 dashed interior configuration that has a rather peculiar
17 shape to it. What does that signify?

18 A. That signifies the previously approved order that
19 we had to downhole commingle the Blinebry-Tubb waterflood
20 interval with the Drinkard, which is deeper. That is Order
21 R-10,335. We have approval to do that on those wells in
22 that dashed-line border.

23 Q. That dashed-line boundary almost encloses an area
24 that includes the Unit 95 well, but that area has been
25 excluded?

1 A. That's correct. Basically, that area that has
2 been excluded is a little higher on structure, and those
3 wells that are higher on structure tend to be flowing wells
4 that have higher rates and weren't considered with the
5 other wells that were outside of that area.

6 Those wells that are outside of the area were --
7 tended to be pumping wells with lower rates, and that's why
8 we went after the commingle, so that we could continue to
9 produce those wells in an economic fashion.

10 Q. All right, let's turn to Exhibit Number 2 and
11 look at the production history on the subject well, Unit
12 95.

13 A. This is the production plot on the Warren Unit
14 Number 95 well, in the Drinkard zone only. That's the
15 deeper zone. You've got a red dashed curve that is the gas
16 rate and a green solid line that is the oil rate, with
17 decline lines drawn through both of them, 4 percent for the
18 gas, 25 percent for the oil.

19 Down on the bottom you are seeing that in
20 September of 1994 is when we -- This was right after the
21 point in time that we got another approval from the
22 Division that we could expand our Blinebry-Tubb waterflood
23 into Section 28 and beyond, and so with that, we went back
24 after the Tubb formation, which we didn't have previously
25 perforated.

1 When we went and perforated that interval we
2 frac'd everything, and that's when we suspect the
3 communication occurred, was in September of 1994.

4 Q. What then did you do after September of 1994
5 concerning operations on this well?

6 A. Well, the way the curves are drawn, and in
7 looking at all the offset wells, we didn't foresee -- we
8 didn't see any communication troubles at that point in
9 time. There was nothing to lead us to believe that we had
10 communication troubles.

11 So it wasn't until the middle of next year, in
12 1995, was when we were getting ready to do our annual
13 packer leakage test, was when we suspected that we had
14 communication.

15 Q. This was about June of 1995?

16 A. June of 1995.

17 Q. In June of 1995, did you attempt any repair of
18 the well?

19 A. Yes, we did, we attempted to mechanically repair
20 the wellbore from the inside to see if we had a leak inside
21 the wellbore, and that was unsuccessful.

22 Q. You're now unable to isolate production between
23 the two pools in this wellbore, so then what did you do?

24 A. At that point in time, we talked with Jerry
25 Sexton and the OCD at Hobbs and got approval to produce

1 these two zones at the same time, even though we knew there
2 was communication outside the wellbore.

3 Q. In September of 1995, then, did you file for
4 administrative approval to commingle these two pools within
5 this wellbore?

6 A. That's correct.

7 Q. And in December of 1995 the Division issued you
8 an administrative order that's now the subject of this
9 case?

10 A. That's correct.

11 Q. As part of Administrative Order DHC-1170, the
12 Division approved the commingling, but in doing so they
13 have come up with limitations on the assigned allowable?

14 A. That's correct.

15 Q. Let me turn your attention to that point, so the
16 Examiner understands how that was calculated.

17 On the Warren-Drinkard Pool there is a limiting
18 GOR, is there not?

19 A. That's correct.

20 Q. And what is that?

21 A. It is 8000.

22 Q. 8000 to 1?

23 A. That's right.

24 Q. At this depth on 40-acre oil spacing -- What's
25 your oil spacing?

1 A. Forty-acre, correct.

2 Q. At this depth, you get 142 barrels of oil a day
3 out of the Warren-Drinkard Pool?

4 A. That's correct.

5 Q. Multiply that times the GOR, and you're allowed
6 to produce 1.1 million?

7 A. That's correct.

8 Q. That, then, becomes the limiting gas volume to be
9 produced, even when you add the additional gas attributable
10 to the Tubb and the Blinebry zones that are in the Warren-
11 Blinebry-Tubb Oil and Gas Pool?

12 A. That's correct.

13 Q. All right. Have you attempted to operate this
14 well under that current gas-allowable restriction for this
15 well?

16 A. Yes, we have.

17 Q. With what results?

18 A. The results -- We're choked back to 1128 MCF a
19 day. The oil has dropped from roughly 40 to 45 barrels of
20 oil per day down to 8 barrels of oil per day, so a
21 significant drop in the oil production.

22 Q. As a petroleum engineer, do you have an
23 explanation for that phenomenon?

24 A. Yes, we've seen this before, that when we choke
25 back a solution gas drive reservoir at the surface, that

1 you still can produce the gas, but it tends to drop the
2 liquids back into the wellbore.

3 Q. In your opinion, is it appropriate to continue to
4 try to produce this well within the current gas limit
5 assigned?

6 A. No, it's not.

7 Q. It's going to be wasteful, isn't it?

8 A. That's correct.

9 Q. Do you have a recommendation to the Examiner as
10 to how to assign or allocate production between the two
11 pools?

12 A. Yes, I do.

13 Q. What's your method going to be?

14 A. The method will be to use the decline on the
15 Drinkard, which we had no stimulations on that at that
16 time, in 1994. The declines were established for several
17 years prior to that. Use that decline rate as a baseline
18 which never exceeds the Drinkard gas allowable of 1136 MCF
19 a day, and then anything over and above that will be
20 production from the Blinebry-Tubb Pool.

21 Q. Okay. The Blinebry-Tubb Pool does not have a
22 gas-limiting component to that rule, does it?

23 A. That's correct.

24 Q. So if the gas is allocated, a portion of the gas
25 attributable to the Blinebry-Tubb is allocated back to that

1 pool, then you could produce the additional gas because
2 there is no gas limit?

3 A. That's correct.

4 Q. All right. Let's look now at Exhibit 2 again and
5 show the Examiner how you propose to use this decline curve
6 as the baseline for attributing production to the Drinkard,
7 any excess of which then goes to the other pool.

8 A. Okay. Again, the lines for the declines are
9 drawn through here, showing a fairly steady rate of
10 decline. There was no stimulation work done at that point
11 in time in 1994. And so we feel like that production rate
12 will be a fairly stable production rate to work off of.

13 Q. All right, sir, let's turn to Exhibit Number 3.
14 We're again looking at Unit 95 well, but now you've turned
15 your attention to what has happened with the addition of
16 the Blinebry and Tubb?

17 A. Correct.

18 Q. All right. Describe for us what you see.

19 A. Okay. Again, this is the Number 95 well,
20 Blinebry-Tubb and Drinkard, all the production put
21 together. Again with the gas rate is the dashed red curve,
22 the oil as the solid green curve.

23 And with that, we're seeing basically the same
24 kind of decline rates with all the production together, but
25 we're seeing rates in excess of the 1136 MCF a day on the

1 combined production. It's closer to 2.1 million.

2 Q. If you produce the well in excess of its current
3 gas limit, this well is more efficient at that higher rate?

4 A. That's correct.

5 Q. In your opinion, does that represent the capacity
6 of this well currently?

7 A. That's --

8 Q. 2.1 million a day is about the capacity?

9 A. That's correct.

10 Q. And with the appropriate choke setting and
11 running it appropriately in the field?

12 A. That's correct.

13 Q. All right. So you're looking at an efficient
14 rate that's not quite a million a day over the current gas
15 allowable? Did I do that right? 1.1 is --

16 A. That's correct.

17 Q. -- the gas allowable now, and the most efficient
18 rate to produce this well is at 2.1 million?

19 A. That's correct.

20 Q. All right. Let's see what happens when we turn
21 to your next exhibit. What are you showing here?

22 A. Okay, this is the Warren Unit Number 1-96. From
23 the locator map on the first exhibit it's the well directly
24 to the north of the Number 95.

25 These two wells were drilled at about the same

1 point in time. They had very similar completions, meaning
2 Drinkard completions that were primarily gas completions
3 with a little bit of oil; and then the Blinebry, the same
4 interval in the Blinebry, was completed at that point in
5 time.

6 They were both dually completed. Because of the
7 pool rules at that point in time, again, we had to isolate
8 the Blinebry from the Drinkard. And at that point in time
9 we could not produce the Tubb in this well either, because
10 we didn't have the first expansion area waterflood approval
11 to have Blinebry and Tubb both together.

12 So the point here is, this well is very similar
13 to the Number 95, basically the same kind of decline rates
14 and production characteristics.

15 Q. You're looking at the north offset to the 95, so
16 why is this relevant?

17 A. Just again to show two things: that we've got
18 similar producing characteristics out of this reservoir,
19 that the rates are very similar, showing that we're making
20 the same rates and revenues; and also to show that we did
21 not have any interference whenever we had this
22 communication problem.

23 Q. Can you conclude from examining 96, as well as
24 everything else around the boundary of 95 -- I think that's
25 what you've done --

1 A. That's right.

2 Q. -- that increasing the gas allowable for 95 is
3 not going to have an adverse effect on ultimate recoveries
4 from either pool?

5 A. That's correct, we conclude that, as well as when
6 we had the communication, didn't see any offsetting
7 interference in any of the wells surrounding.

8 Q. All right, sir. And we see that when we look at
9 Exhibits 4, Exhibit 5 is on the Blinebry-Tubb for the 96
10 well?

11 A. Exactly.

12 Q. And then Exhibit 7 [sic], you're moving into the
13 well 110?

14 A. That's right. All of these plots continue in a
15 clockwise fashion around the Well Number 95. And again,
16 they're labeled with when the probable communication took
17 place when we frac'd the Tubb in the Number 95, just
18 showing that we couldn't see any interference effects and
19 that it wasn't going to affect the recoveries in any of the
20 offsetting wells.

21 Q. We complete that review when you turn through
22 Exhibit 14 and have looked at the Tubb interval and the
23 Warren Unit 8 well, and then after that you're in Exhibit
24 15, and we're on a different topic?

25 A. (Nods)

1 Q. All right, sir. Let's turn to Exhibit 15 [sic]
2 and show us what you have on that display.

3 A. Okay. This again is the Warren-Drinkard
4 production based on those declines, back on Exhibit Number
5 2, I believe --

6 Q. Go ahead.

7 A. Okay. -- that showed just the Drinkard
8 production with the oil and gas rates for each year, their
9 annual average producing rates that we expect the Drinkard
10 production will do based on those declines that we have.

11 Q. How can this data or information be used to
12 allocate production between the two pools?

13 A. This would be part of that formula that would
14 show that the Drinkard production would never exceed its
15 allowable of 1136 MCF a day, as well as it would be the
16 reference point to where any other gas produced out of the
17 Number 95 well would be attributable to the Blinebry-Tubb
18 portion of the wellbore.

19 Q. In your opinion, can you go back now with this
20 wellbore and squeeze off one of these pools and produce the
21 other and then come back and reverse it?

22 A. No, we have tried that before, and pretty much
23 every time meets with no success doing that.

24 Q. All right, sir, let's turn to Exhibit 16 [sic]
25 and have you identify and describe the wellbore schematic.

1 A. Okay, this is the current wellbore schematic of
2 the Number 95 well with two strings of tubing and a packer
3 for isolation between the two different reservoirs, the
4 Blinebry-Tubb reservoir and the Drinkard reservoir.

5 EXAMINER STOGNER: Which exhibit are you
6 referring to?

7 MR. KELLAHIN: Yes, sir, I'm -- My package may be
8 misnumbered. I think it's 15 on your exhibit package.
9 It's the first of the wellbore schematics.

10 EXAMINER STOGNER: With the dual strings?

11 MR. KELLAHIN: With the dual strings, yes, sir.

12 Q. (By Mr. Kellahin) All right. And then you can
13 compare that to the next display, which is Exhibit 16, and
14 that shows the single-tubing string?

15 A. That's correct, that's what we would propose to
16 do with the wellbore if this were approved.

17 Q. All right, sir. Summarize for us your
18 conclusions, then, Mr. Barrett.

19 A. The conclusions are that the Drinkard had a
20 stabilized production period that we feel like is very
21 stable, that we can put a good decline rate through that,
22 use that as a baseline production rate to then allocate any
23 further production over that amount to the Blinebry-Tubb
24 Oil and Gas Pool in our waterflooded interval, and that we
25 would have a good allocation method for doing that.

1 Q. Will approval of this Application afford Conoco
2 and the interest owners in this well the opportunity to
3 recover hydrocarbons that might not otherwise be recovered?

4 A. That's correct.

5 MR. KELLAHIN: That concludes my examination of
6 Mr. Barrett.

7 We move the introduction of his Exhibits 1
8 through 16.

9 Exhibit 17, Mr. Examiner, is the notification
10 list of all the parties that were notified of the
11 commingling. I'll provide you with a certificate to append
12 to this list, but 17 represents all the parties and the
13 return cards for which those parties were notified.

14 EXAMINER STOGNER: Said exhibits will be admitted
15 into evidence at this time.

16 I'm confused here.

17 MR. KELLAHIN: Yes, sir, I probably did it to
18 you. I'm sorry.

19 EXAMINER STOGNER: The Blinebry Gas Pool and the
20 Warren-Tubb Gas Pool are the ones that I was prepared to
21 hear today, but all of a sudden we're talking about two
22 other pools. I guess that's what the advertisement shows.

23 MR. KELLAHIN: Well, and maybe we've confused
24 you. Let me check the ad.

25 Sorry, Mr. Examiner, my ad is incorrect. The

1 correct pools are the Warren-Blinebry-Tubb Gas Pool.

2 THE WITNESS: Oil and Gas Pool.

3 MR. KELLAHIN: Oil and Gas Pool.

4 EXAMINER STOGNER: And the Warren-Drinkard?

5 MR. KELLAHIN: And the Warren-Drinkard, correct.

6 So we'd have to readvertise it.

7 EXAMINER STOGNER: So this is continued and

8 readvertised for what? March 7th?

9 MR. KELLAHIN: I believe that's the next docket,
10 yes, sir.

11 EXAMINATION

12 BY EXAMINER STOGNER:

13 Q. Okay. Let's see here. In referring to a copy of
14 the old order -- I want to make sure that we're referring
15 to the right one, Mr. Barrett. The only thing I have here
16 is correct Administrative Order DHC-1170; is that the one
17 that this Application is going by? I believe that is dated
18 December the 21st, 1995.

19 A. That's correct.

20 Q. Okay. And do you want to refer me to the exhibit
21 which includes the formula for this allocation that you're
22 proposing to change here?

23 A. Yes, that is, I believe in yours, Number 14.

24 Q. Number 14. And again, this is based on the 25-
25 percent decline of the Blinebry zone?

1 A. Of the Drinkard zone.

2 Q. Of the Drinkard zone?

3 A. Uh-huh. That's -- It's based on Exhibit Number
4 2, that production graph in Exhibit Number 2 for the oil
5 and the gas, in the Drinkard only.

6 Q. Now, the zone that's being flooded is the one
7 Drinkard, right?

8 A. No, it's the Blinebry-Tubb.

9 Q. Blinebry-Tubb.

10 A. Correct.

11 Q. With 27 percent of the gas supposedly allocated
12 at this point?

13 A. That's correct.

14 Q. Okay. Is that an accurate indication of the
15 percentage of gas coming out of the zone, if it was left
16 wide open?

17 A. No, that's not.

18 Q. It's not?

19 A. You're saying based on the corrected --

20 Q. That's what you have on your DHC. I don't have
21 the administrative order in front of me. I'm assuming that
22 you requested this percentage, and now you're saying it's
23 incorrect?

24 A. That's correct, it is not correct.

25 Q. You requested an incorrect allocation formula in

1 the beginning? Hmm, that's interesting, that's very
2 interesting.

3 So what percentage of gas is coming out of that
4 waterflood at this time, if the well was allowed to be left
5 open?

6 A. It's a little more than 50 percent. It's like I
7 said, based on the difference between Exhibit Number 3 of
8 2.1 million a day, and Number 2 of 800 MCF a day. That's
9 the difference.

10 MR. KELLAHIN: Mr. Examiner, I have a copy of
11 this corrected order, administrative order, if that's any
12 help to you. I believe it's the same one that's in the
13 Application.

14 Q. (By Examiner Stogner) Okay. I am totally
15 confused at this point.

16 A. Well, and we --

17 Q. I thought this was a waterflood. Is there not --
18 isn't that -- Isn't the allowable in a waterflood what it
19 can produce?

20 A. That's correct.

21 MR. KELLAHIN: Yes, sir.

22 EXAMINER STOGNER: Okay.

23 MR. KELLAHIN: And what we've confused you with
24 is that in September we erroneously believed this well was
25 producing only the 1.1 million, and that area continued to

1 be used, then, when Mr. Stone wrote the Administrative
2 Order 1170.

3 It was only after that that Conoco looked at the
4 data and found out that they were under a misimpression
5 about what this well was producing. It in fact will
6 produce the additional million.

7 And so you -- One of those is the error in
8 volumes, and the other component is Rule 303 F, which
9 restricts us to the GOR calculation for the pool that's got
10 the 8000-to-1 GOR limit.

11 EXAMINER STOGNER: For the Drinkard?

12 MR. KELLAHIN: Yeah.

13 Q. (By Examiner Stogner) Okay, prior to -- In
14 looking at Exhibit Number 2, that's showing the Drinkard
15 production. That's the average -- 800 MCF of gas per day
16 from the Drinkard only; is that correct?

17 A. That's correct, and that's at the point in time,
18 June of 1995.

19 Q. And then whenever it discovered probable
20 communications, then your average went up to 2100 MCF; is
21 that why -- That's shown on your Exhibit Number 3?

22 A. Exhibit Number 3 is Blinebry, Tubb and Drinkard,
23 all three together.

24 Q. All three together?

25 A. That's right.

1 Q. And your Drinkard interval is the one with your
2 8000-to-1 GOR?

3 A. That's correct.

4 Q. Well, prior to probable communication, the
5 Drinkard interval wasn't anywhere near the allowable, was
6 it?

7 A. Well, you can see that it was close to a million
8 a day. We're projecting it out to June of 1995, which at
9 that point in time it was 800 MCF a day. But you can see
10 you've got little spikes up and down that would be around a
11 million a day.

12 Q. So you are bumping that --

13 A. That's correct.

14 Q. Okay. Explain to me, then, how the formula is
15 going to assure that the Warren-Drinkard Pool is not going
16 to produce 1 MCF more than it's allowed.

17 A. Basically, the Drinkard, for a while now, has
18 been on an open choke. There's no choke restriction on
19 this plot that you're seeing, Exhibit Number 2.

20 So with that -- It's been bumping it, but it has
21 not been exceeding it. And that's been on an open choke.

22 So there's no restrictions on this wellbore, no
23 stimulations, nothing has changed, and it hasn't been
24 exceeding the 1136 a day. We're careful to watch that.

25 So with that, it's establishing this decline that

1 we're seeing with no other restrictions in the wellbore.
2 Again based on the Number 96 to the north, we've seen it
3 doing the same thing. We don't feel the 1136 a day is
4 going to be a problem in exceeding that in the future on
5 either of these wells.

6 So with that, this is the stable flow stream to
7 use for the allocation formula.

8 Q. And on Exhibit Number 2, was that an open choke
9 or was that production based on -- or shown to be on a
10 choke whenever this was reported?

11 A. This was on an open choke.

12 Q. Okay, so no restricted flow?

13 A. That's correct.

14 Q. So on Exhibit Number 14 -- Let me make sure I've
15 got this right. Supposing that for 1996 your maximum --
16 no, that's -- You're just showing your annual average
17 production, right? Is that correct?

18 A. That's correct.

19 Q. What will be the maximum this well will be
20 allowed under the formula, before the well is restricted?

21 A. I'm not sure if I follow your question.

22 Q. At what point would the gas production have to be
23 to exceed maximum under your formula before the well would
24 be restricted because it overproduced from the Warren-
25 Drinkard Pool? What would that point have to be from the

1 well before that wellbore was restricted? You're not
2 proposing opening them wide open, are you?

3 A. Well, yes, it's been wide open. It would
4 continue that way. And based on that decline that we saw
5 on Exhibit Number 2, we feel very strong that it won't ever
6 exceed the 1136 a day and that it won't even exceed the 800
7 MCF a day that we had on the June of 1995, on that Exhibit
8 Number 2.

9 So it has been flowing unrestricted now, and
10 that's on that plot with the decline curve marked on there,
11 Exhibit Number 2.

12 Q. But keeping under your allowable?

13 A. Yes, staying under the allowable.

14 Q. So utilizing the figures in Exhibit Number 14,
15 that would be the gas attributable to the Warren-Drinkard
16 Pool, and anything in excess of that would then be to the
17 Blinebry-Tubb?

18 A. That's correct.

19 Q. Okay. So we're no longer looking at a
20 percentage, we're looking at a volumetric; is that correct?

21 A. That's correct.

22 Q. Again, what led to the communication between the
23 two zones?

24 A. Well, we received -- In March of 1994 we received
25 the approval to expand our waterflood into Section 28 and

1 beyond.

2 At that point in time, we could not produce
3 Blinebry and Tubb together in that one side of the Number
4 95 well, the Blinebry side. We only had Blinebry opened up
5 at that point in time.

6 So once we received approval to expand our
7 waterflood, we wanted to open up the Tubb as well, along
8 with more Blinebry production.

9 When we did that. You have to fracture-stimulate
10 these wells, and when you do that you run the risk of
11 communicating. Typically, we go to fairly great extremes
12 to prevent that communication, because we try to avoid the
13 communication between the Drinkard and the Tubb.

14 And so with that, when we fracture-stimulated it,
15 that's what we believe caused the communication, especially
16 after we attempted to mechanically repair the well inside
17 the wellbore and it was not successful.

18 Q. Okay, I'm not too familiar with the Downhole
19 Commingling Order R-10,335 that you referred to in
20 referring back to Exhibit Number 1, was the hachmarked
21 marked area. What did that allow? What did that order
22 provide?

23 A. That order provided us to downhole commingle all
24 of the wells outside -- or, I'm sorry, inside that dashed
25 line. And those, again, were mostly dual wellbores that we

1 had Blinebry or Blinebry-Tubb production, producing up one
2 side of a dual and Drinkard producing up the other side.

3 But in almost all of those wells the Drinkard was
4 flowing at a lower rate or pumping, typically, and the
5 economics to continue producing it in that manner was not
6 favorable. It was, again, a waste issue that we just
7 couldn't continue to do that. The costs were outrunning
8 the revenue from this.

9 So we came and it was granted that we could
10 downhole commingle all of that so that we wouldn't cause
11 waste of the Drinkard oil and gas reserves.

12 And at that point in time, I might add, there
13 were three wells that exceeded the allowable, that we got
14 approval to do that as well.

15 Q. And your average oil production at this point is
16 45 barrels of oil per day?

17 A. That's what we were showing as of June of 1995.
18 It since has dropped a little below that. I'd say it's in
19 the 40 or less barrels of oil per day.

20 Q. Okay. Now, administrative Order DHC-1170
21 restricted it to 40 barrels a day only. Are you seeking
22 that to change also?

23 A. It doesn't appear that that will be a problem.

24 Q. Is that water production exceeding 80 barrels a
25 day?

1 A. No, it's not.

2 Q. Since it's a waterflood do you expect it to later
3 on?

4 A. Possibly later on. However, right now we do not
5 have offsetting injection around this well, because --
6 again, because the first expansion -- or the second
7 expansion area that we received approval on in March of
8 1994, that was just an approval to make the expansion.

9 We then started a fairly rigorous drilling
10 program in Section 28, drilling all of those new wells in
11 Section 28.

12 So with that, we're -- We're getting primary
13 production out of the ground right now. So there's no
14 injection support around Number 95.

15 Q. How does Conoco propose to physically report this
16 on a monthly basis?

17 A. It would be based off of this Exhibit Number 14's
18 flow stream.

19 Q. So let's say for March of 1996, it produced for
20 15 days. Then you would multiply 780 by 15?

21 A. That's correct.

22 Q. And then 1.1 by 15?

23 A. That's correct.

24 Q. For the oil, and that would be your Drinkard
25 production.

1 And then what was on top of that would be
2 attributable to the Blinebry-Tubb?

3 A. That's correct.

4 EXAMINER STOGNER: Mr. Kellahin --

5 MR. KELLAHIN: Yes, sir.

6 EXAMINER STOGNER: -- if this matter would have
7 to be readvertised, would you see any need that
8 renotification to those parties would occur, need to occur?

9 MR. KELLAHIN: They got the correct notice. They
10 got the Application, which is correct. It's the only --
11 It's the page that I submitted to you that had the
12 suggested advertisement, which has got the error.

13 EXAMINER STOGNER: How would you suggest, then,
14 that -- since we're talking about a month lapse, at the
15 least --

16 MR. KELLAHIN: I assume you could go ahead and
17 issue a temporary approval, pending correction of the ad.
18 I think the ad is rather superfluous at this point.

19 We try very hard not to make this mistake, but
20 the names are confusing, and I simply didn't get that part
21 right.

22 The Applications were correct, and everybody that
23 participates got the maps, they got the entire Application,
24 they knew what we were doing and there is no objection.

25 So I think at this point it's an error that is of

1 no consequence with regards to anyone's correlative rights.

2 EXAMINER STOGNER: Would you see a problem about
3 addressing that issue subsequent to the March hearing
4 retroactively?

5 MR. KELLAHIN: I think you could do that.

6 EXAMINER STOGNER: Could you provide me a rough
7 draft order in this matter -- Now, we're going to have to
8 continue it and readvertise it for the March 7th hearing.

9 In your rough draft order, if you would make it
10 retroactive back to whatever might be applicable in this
11 instance --

12 MR. KELLAHIN: We'll check to determine what --

13 EXAMINER STOGNER: -- because we're talking about
14 a unit, essentially.

15 MR. KELLAHIN: Yes.

16 EXAMINER STOGNER: And I am assuming -- Mr.
17 Barrett, maybe you can answer this question. I'm sure it
18 shows up in the administrative order but since I don't have
19 that in front of me, are the interests identical in both
20 zones in this unit?

21 THE WITNESS: In the Drinkard versus Blinebry-
22 Tubb?

23 EXAMINER STOGNER: Yes.

24 MR. KELLAHIN: I can respond to that, Mr.
25 Examiner. This is in a unit where the participating areas,

1 as they change, would have the potential to be different.

2 We've come across that before in these big units
3 where all these parties are the same in lots of instances,
4 because the participating areas are not identical, the
5 percentages would change. And so we have notified all
6 these parties because of that difference in ownership.

7 EXAMINER STOGNER: Well, you've got a situation
8 out there where the wellbore is actually doing this, and
9 you're proposing to just amend it to make it more accurate,
10 I can see at this point, as opposed to doing additional
11 paperwork and coming up with two orders. I don't really
12 see that that's necessary since you're inside a unit and
13 nobody's here to object.

14 I'm going to suggest that you go ahead and
15 produce the well with the formula that you propose today,
16 and because of the March hearing, just incorporate that at
17 the time.

18 MR. KELLAHIN: All right, sir, we appreciate
19 that.

20 THE WITNESS: Yes.

21 MR. KELLAHIN: We'll write an appropriate order
22 that will accomplish that.

23 EXAMINER STOGNER: And in the meantime, I'll
24 contact Mr. Sexton and also ask that Conoco utilize this
25 new formula in its February monthly production report,

1 since here we are -- What? Today's the 8th?

2 MR. KELLAHIN: Yes, sir.

3 EXAMINER STOGNER: So essentially we're including
4 all of February.

5 MR. KELLAHIN: Okay.

6 EXAMINER STOGNER: Okay. With that, I guess that
7 concludes today's presentation?

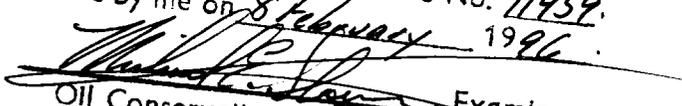
8 MR. KELLAHIN: Yes, sir.

9 EXAMINER STOGNER: We'll leave the record open
10 until the March 7th hearing.

11 And with that, let's take about a 15-minute
12 recess.

13 (Thereupon, these proceedings were concluded at
14 10:07 a.m.)

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20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 11459,
23 heard by me on 8 February 1996.
24 
25 Oil Conservation Division, Examiner

