

STATE OF NEW MEXICO

OIL CONSERVATION DIV.

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

APR 15 AM 6:32

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY )  
 THE OIL CONSERVATION DIVISION FOR THE )  
 PURPOSE OF CONSIDERING: )  
 )  
 APPLICATION OF YATES PETROLEUM ) CASE NOS. 12,130  
 CORPORATION FOR AN UNORTHODOX GAS WELL )  
 LOCATION TO ACCOMMODATE THE REDEDICATION )  
 OF ACREAGE FOR GEOLOGIC REASONS, )  
 LEA COUNTY, NEW MEXICO )  
 )  
 APPLICATION OF YATES PETROLEUM ) and 12,128  
 CORPORATION FOR EXTENSION OF THE )  
 VERTICAL LIMITS OF THE SAND SPRINGS- )  
 ATOKA GAS POOL AND FOR SPECIAL POOL )  
 RULES, LEA COUNTY, NEW MEXICO ) (Consolidated)  
 )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

April 1st, 1999

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, April 1st, 1999, 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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April 1st, 1999  
Examiner Hearing  
CASE NOS. 12,130 and 12,128 (Consolidated)

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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: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:27 a.m.:

3           EXAMINER ASHLEY: At this time the Division calls  
4   Case 12,130.

5           MR. CARROLL: Application of Yates Petroleum  
6   Corporation for an unorthodox gas well location to  
7   accommodate the rededication of acreage for geologic  
8   reasons, Lea County, New Mexico.

9           EXAMINER ASHLEY: Call for appearances.

10          MR. CARR: May it please the Examiner, my name is  
11   William F. Carr with the Santa Fe law firm Campbell, Carr,  
12   Berge and Sheridan. We represent Yates Petroleum  
13   Corporation in this matter, and I have two witnesses.

14          I would also request, Mr. Examiner, that you also  
15   call at this time Case Number 12,128. The cases are  
16   interrelated, and we would request that they be  
17   consolidated for the purpose of hearing.

18          EXAMINER ASHLEY: Okay, the Division also calls  
19   Case 12,128.

20          MR. CARROLL: Application of Yates Petroleum  
21   Corporation for extension of the vertical limits of the  
22   Sand Springs-Atoka Gas Pool and for special pool rules, Lea  
23   County, New Mexico.

24          EXAMINER ASHLEY: Call for appearances? Is there  
25   any others?

1 MR. CARR: If not, Mr. Examiner, at this time we  
2 call Eric Cummins.

3 EXAMINER ASHLEY: Will the witnesses please stand  
4 and be sworn?

5 (Thereupon, the witnesses were sworn.)

6 ERIC CUMMINS,  
7 the witness herein, after having been first duly sworn upon  
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. CARR:

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

12 A. Eric Cummins.

13 Q. Will you spell your last name?

14 A. C-u-m-m-i-n-s.

15 Q. Where do you reside?

16 A. Artesia, New Mexico.

17 Q. By whom are you employed?

18 A. Yates Petroleum Corporation.

19 Q. Mr. Cummins, what is your position with Yates  
20 Corporation?

21 A. Geologist.

22 Q. Have you previously testified before this  
23 Division?

24 A. No, I have not, sir.

25 Q. Could you summarize for the Examiner your

1 educational background?

2 A. I have a bachelor of science degree in geology  
3 from New Mexico State University in 1988, master of science  
4 in geology from the University of Southwestern Louisiana,  
5 1990.

6 Q. Since graduation in 1990, for whom have you  
7 worked?

8 A. I worked for Texaco Exploration and Production in  
9 New Orleans, Louisiana, through 1994, for Western Atlas C&P  
10 Services in Houston, Texas, till June, 1996, and until that  
11 time I've been with Yates Petroleum -- since that time I've  
12 been with Yates Petroleum.

13 Q. Mr. Cummins, are you familiar with the  
14 Applications filed in each of these cases?

15 A. Yes, I am.

16 Q. And have you made a geological study of the area  
17 which is the subject of the Applications?

18 A. Yes, I have.

19 Q. Are you prepared to present the results of your  
20 work to the Examiner?

21 A. Yes, I am.

22 MR. CARR: We would tender Mr. Cummins as an  
23 expert witness in petroleum geology.

24 EXAMINER ASHLEY: Mr. Cummins is so qualified.

25 Q. (By Mr. Carr) Mr. Cummins, would you briefly

1 summarize what it is that Yates Petroleum Corporation seeks  
2 in these cases?

3 A. Yates seeks authorization to change the spacing  
4 and proration unit dedicated to its Sand Springs State Well  
5 Number 1, located 330 from the north line, 1650 from the  
6 west line in Section 11 of Township 11 South, Range 34  
7 East, in the Atoka and Morrow formations, Sand Springs-  
8 Atoka Gas Pool, from a north-half to a west-half spacing  
9 and proration unit.

10 We also seek approval of an unorthodox gas well  
11 location for the Sand Springs State Well Number 1 for the  
12 west-half spacing unit, and also an order extending the  
13 vertical limits of the Sand Springs-Atoka Gas Pool, to  
14 include both the Atoka and Morrow formations, and for  
15 issuance of special pool rules for the expanded pool,  
16 including provision for a second gas well on each standard  
17 spacing and proration unit.

18 Q. How is the location for the Sand Springs State  
19 Com Number 1 unorthodox?

20 A. It's too close to the north line of the section.

21 Q. It was unorthodox when it was originally drilled,  
22 was it not?

23 A. That is correct.

24 Q. But now if you are able to reorient the spacing  
25 unit, you're going to be, based on the rules, even further

1 encroaching on the acreage to the north?

2 A. That is correct.

3 Q. Let's go to Exhibit Number 1, and I'd ask you to  
4 just identify that and review the information on this  
5 exhibit for the Examiner.

6 A. Exhibit Number 1 is a land plat in the immediate  
7 area. It shows -- and the red dot is the Sand Springs  
8 "ASU" State Number 1. It shows other Yates acreage in the  
9 area, also other owners and operators in the area.

10 The yellow outline is the current proration unit.  
11 The orange outline is the proposed amended proration unit.

12 Q. What are the current boundaries for the Sand  
13 Springs-Atoka Gas Pool?

14 A. All of Section 1 and the south half of Section 2.

15 Q. Is Exhibit Number 2 a notice affidavit confirming  
16 that notice of these Applications has been provided to all  
17 affected parties?

18 A. Yes, it is.

19 Q. And to whom was notice provided?

20 A. Notice was provided to all operators within one  
21 mile of the proposed pool boundaries and all parties  
22 affected by the unorthodox well location.

23 Q. What is the status of the ownership throughout  
24 Section 11?

25 A. Section 11 has common ownership, Yates Petroleum,



1 et al., 100 percent. Therefore, reorientation of the  
2 proration unit will not result in the adjustment of any of  
3 the owners' interests in the area.

4 Q. Let's go to Exhibit Number 3. What is this?

5 A. Exhibit Number 3 is a stratigraphic cross-  
6 section, A-A', through the north -- east-west, through the  
7 northern part of the area.

8 I would also at this time refer you to Exhibit  
9 Number 5, which is a net channel sand map. It has the two  
10 cross-sections that I'll refer to laid out on the map.

11 Q. The traces for the cross-section are shown on  
12 Exhibit 5?

13 A. That's correct.

14 Q. All right, let's go to cross-section A-A', and  
15 I'd ask you to review that.

16 Q. Cross-section A-A' is a stratigraphic cross-  
17 section east-west through the northern part of the area.  
18 The westernmost well in Section 10 is the Mobil State "GC"  
19 Number 1. It goes east through the three wells currently  
20 in the north half of Section 11 and north to the Yates  
21 Tenneco "ADP" State Number 1 in the southeast corner of  
22 Section 2.

23 The cross-section shows the location of basal  
24 Atoka-Morrow channel sands present in the north half of  
25 Section 11. It shows that in Section 10, the Mobil State

1 "GG" Number 1, on the left side of the cross-section, the  
2 sands are not present. And also on the farthest right  
3 well, the Yates Fed Tenneco "ADP" State Number 1, the sands  
4 are not present.

5 Q. Anything else with this exhibit?

6 A. No, there's not.

7 Q. All right, let's go to the southern cross-  
8 section, B-B'.

9 A. Cross-section B-B' is a stratigraphic cross-  
10 section through the southern part of the area. It extends  
11 from the J.M. Huber Gulf State A 1 in the southeast corner  
12 of Section 23, east to Section 25, to the Yates Petroleum  
13 Carper McAlester Number 1, and northeast to the Bogel Farms  
14 State Number 1 in Section 13.

15 This again shows the presence of the basal Atoka-  
16 Morrow channel sands in the center part of the cross-  
17 section, but not present on either side, constraining the  
18 width of the channel sands.

19 Q. Mr. Cummins, can you explain to the Examiner and  
20 show the Examiner why it is that Yates is requesting an  
21 order that combines the Atoka and the Morrow formations in  
22 this area?

23 A. Yes, if you'll refer to, again, cross-section  
24 B-B', on the top of the cross-section I've marked the top  
25 of the Atoka formation. From the top of the Atoka, down to

1 the top of the Mississippian Chester formation, is a  
2 section of sandstone, shale and limestone that is fairly  
3 consistent, and there is not a reliable geologic marker on  
4 which to pick the top of the Morrow formation.

5 Q. Let's go now to Exhibit 5, and I'd ask you to  
6 review the information on the isopach map for the Examiner.

7 A. Exhibit 5 --

8 Q. Your net channel sand map.

9 A. -- is a net channel sand map through the area.  
10 It shows the three wells that you've seen previously on  
11 cross-section A-A', in the north half of Section 11, that  
12 have the basal Atoka-Morrow channel sands present. And to  
13 the south, the well referred to in cross-section B-B', in  
14 the northwest quarter of Section 25, that also has the  
15 basal Atoka-Morrow channel sands present.

16 It also shows other control in the area, that  
17 we're deep enough to penetrate the section but did not have  
18 any of the channel sands present, therefore constraining  
19 the width of the channel, and the contours represent my  
20 interpretation of the orientation of the channel sands.

21 Q. Mr. Cummins, I'd like you to explain to the  
22 Examiner the benefits that will result from reorienting the  
23 spacing units within Section 11, the standup units proposed  
24 by Yates. You might want to refer to Exhibit Number 1  
25 again, as you review that.

1           A.    Yes.  Yates desires to re-enter one of the wells  
2   that are in the northeast corner of Section 11, but we're  
3   currently restricted because of the proration unit.  We  
4   would like to reorient the proration unit to a west half,  
5   to allow us to re-enter one of the other wells in the  
6   northeast quarter of the section.  It would be the most  
7   economical way to get a second well in the section and  
8   result in more efficient drainage of the remaining  
9   reserves.

10           Q.   Do you know at this time if there are sufficient  
11   reserves in this pool to justify drilling a second well in  
12   Section 11?

13           A.    No, sir, we at this time do not know.

14           Q.    And by being able to reorient the spacing unit,  
15   instead of drilling a new well, you would be able to re-  
16   enter and recomplete in the existing well in the southeast  
17   of the northeast?

18           A.    That's correct.

19           Q.    Would you just generally summarize your  
20   geological conclusions?

21           A.    In this area, we believe that there is  
22   essentially one reservoir section, the Atoka-Morrow  
23   section, and there is not a good geological reason to  
24   separate the two formations, as I referred to earlier, from  
25   the top of the Atoka formation to the top of the Chester

1 formation. Reorientation of the spacing unit is necessary  
2 in order to allow us to re-enter one of the wells in the  
3 east half of Section 11, and an unorthodox location results  
4 if we take this approach.

5 Q. When we look at this pool, have all the wells in  
6 the pool been -- have any of the wells been new drills?

7 A. No.

8 Q. They're all recompletions or using existing  
9 wellbores to test the Atoka in this area?

10 A. That's right.

11 Q. And that's what you're attempting to do, again,  
12 by reorienting the spacing units, is enable you to get  
13 another well in the formation. Based on that information,  
14 you will be able to determine whether or not it's possible  
15 to drill stand-alone wells to this depth; is that right?

16 A. That's correct.

17 Q. And the locations of these wells are -- The wells  
18 are drilled so the unorthodox locations are locked in;  
19 isn't that right?

20 A. That's correct.

21 Q. You're seeking approval for the locations on the  
22 -- spacing unit?

23 A. That is right.

24 Q. Will Yates also be calling an engineering witness  
25 to discuss the portion of the case related to the need for

1 second wells on the spacing units?

2 A. Yes, we will.

3 Q. Were Exhibits 1 through 5 prepared by you or  
4 compiled under your direction and supervision?

5 A. Yes, they were.

6 MR. CARR: At this time, Mr. Ashley, we would  
7 move the admission of Yates Exhibits 1 through 5.

8 EXAMINER ASHLEY: Exhibits 1 through 5 will be  
9 admitted as evidence.

10 MR. CARR: That concludes my direct of this  
11 witness.

12 EXAMINATION

13 BY EXAMINER ASHLEY:

14 Q. Mr. Cummins, the north half right now is  
15 currently dedicated to the Sand Springs "ASU" State Number  
16 1?

17 A. That's right.

18 Q. And that was a re-entry?

19 A. Yes, it was.

20 Q. And it's producing right now?

21 A. It's currently shut-in, but capable of  
22 production.

23 Q. And it has the nonstandard location approval for  
24 the north half?

25 A. Yes, it does.

1 Q. Okay. And by reorienting to the west half, then,  
2 you would re-enter a well in the east half, the northeast  
3 quarter of Section 11?

4 A. Yes, we're looking right now at re-entering the  
5 well that's in the southeast of the northeast quarter.

6 Q. Okay. Do you know if this -- I guess that's the  
7 Springs Number 1 that's in the southeast of the northeast?  
8 That's the one you want to re-enter?

9 A. Yes, that's correct.

10 Q. Would that be a standard location?

11 A. Yes, I believe it would.

12 Q. Okay. And you say -- Okay, now, back to  
13 extending the vertical limits to include Atoka and the  
14 Morrow for this pool, you say it's essentially one  
15 reservoir, there's really no -- you can't really  
16 differentiate between the Atoka-Morrow?

17 A. You can't really differentiate between the Atoka-  
18 Morrow --

19 Q. Okay.

20 A. -- in this area.

21 Q. So like on cross-section B-B', would it be  
22 possible that that upper channel sand in the Carper  
23 McAlester State A Number 1, I mean, could you say that that  
24 might be Atoka -- you wouldn't know for sure if that was  
25 Atoka or Morrow?

1 A. That is correct.

2 Q. Okay. And you also want to have in the special  
3 pool rules approval for an additional well in each spacing  
4 unit; is that correct?

5 A. That's correct.

6 Q. Will that be addressed by another witness?

7 A. Yes.

8 EXAMINER ASHLEY: Okay. I have no further  
9 questions, Mr. Cummins. Thank you.

10 MR. CARR: Mr. Ashley, at this time we call Dave  
11 Pearson.

12 DAVID PEARSON,  
13 the witness herein, after having been first duly sworn upon  
14 his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. CARR:

17 Q. Would you state your name for the record, please?

18 A. David Pearson.

19 Q. Where do you reside?

20 A. Artesia, New Mexico.

21 Q. By whom are you employed?

22 A. Yates Petroleum.

23 Q. And what is your position with Yates?

24 A. I'm a reservoir engineer, petroleum engineer.

25 Q. Have you previously testified before this



1 Division?

2 A. Yes.

3 Q. At the time of that testimony, were your  
4 credentials as an expert in reservoir engineering accepted  
5 and made a matter of record?

6 A. Yes.

7 Q. Are you familiar with the Applications filed in  
8 these cases?

9 A. Yes.

10 Q. Have you made an engineering study of wells in  
11 the area of interest?

12 A. Yes.

13 Q. And are you prepared to share the results of your  
14 work with the Examiner?

15 A. Yes.

16 MR. CARR: Are the witness's qualifications  
17 acceptable?

18 EXAMINER ASHLEY: They are.

19 Q. (By Mr. Carr) Now, initially, Mr. Pearson, could  
20 you -- I'd like to have you review for us the history of  
21 the well currently producing from the Atoka in the north  
22 half of Section 11.

23 A. The well -- The situation, generally speaking, in  
24 the area is a little bit confusing because there's been a  
25 sequence of name changes as wells have been drilled,

1 plugged and abandoned and re-entered.

2 But I'll start with the Sand Springs Number 1,  
3 which is the well most recently drilled -- or re-entered  
4 and deepened by Yates Petroleum. The well was originally  
5 drilled to about 10,500 feet as a Wolfcamp test, and was  
6 re-entered this fall -- or last fall -- by Yates Petroleum  
7 and deepened to the Devonian and recompleted eventually --  
8 after being tested in the Devonian, recompleted eventually  
9 to the Atoka or Morrow sands that you see here today.

10 Q. And is that well currently producing?

11 A. The well has been on production. It is today  
12 currently shut in as a function of market conditions.

13 Q. But it is capable?

14 A. It is capable of production, it was on production  
15 until a few weeks ago.

16 Q. And the north half of Section 11 is dedicated to  
17 that well?

18 A. That is correct.

19 Q. There's also a second wellbore that is available  
20 that could be used to test the Atoka in the north half?

21 A. That's correct.

22 Q. And that is the well shown on Exhibit 1 in the  
23 southeast of the northeast?

24 A. That is correct. It's labeled on Exhibit 1 as  
25 the Trainer Springs Number 1 and is labeled on cross-

1 section A-A' as the Helbing and Podpechan Kelce State  
2 Number 1. There have been two name changes on that and  
3 probably will be a third, so...

4 Q. Is that well in the southeast of the northeast of  
5 11 the only other well in the section that could reasonably  
6 be used to attempt an additional completion in the Atoka,  
7 without drilling a new wellbore?

8 A. No, it would be possible, or it might be  
9 possible, to re-enter the well that is variously labeled --  
10 on Exhibit Number 1 it's labeled Ashman and Hillard Number  
11 1. For mechanical reasons, it's much more attractive to  
12 us, in addition to the location being slightly better, it  
13 is a legal location at the well in the southeast of the  
14 northeast. So we would prefer to re-enter, both for  
15 mechanical reasons and because it would be a clearly legal  
16 location in an east-half proration unit.

17 Q. In any event, all of those wells are in the north  
18 half of the section?

19 A. That's correct.

20 Q. By re-orienting the spacing units, you would then  
21 be able to complete a well in the Atoka on an east-half  
22 standup unit?

23 A. Correct.

24 Q. All right. How many wells are there in this area  
25 with a long enough production history for you to be able to

1 actually plot the reserves?

2 A. There are actually two wells in the Sand Springs-  
3 Atoka Pool that have a suitable history for making an  
4 estimate of the ultimate recoverable reserves:

5 The Tenneco "ADP" State Com Number 1, which is  
6 variously labeled on the different base maps. On Exhibit  
7 Number 1 it is shown as the Yates Petroleum Tenneco State  
8 "ADP" Number 1. It would be in the southeast quarter of  
9 irregular Section Number 2.

10 There is a second well in the southwest quarter  
11 of irregular Section Number 1, which is labeled on Exhibit  
12 Number 1 as the Sinclair 840 State Lea. On Exhibit Number  
13 5 it's shown as the Yates Petroleum Lagarto State unit.  
14 That also is confusing in that there is a Yates Petroleum  
15 Lagarto State Unit in Section 13. We're going to refer to  
16 the one in Section 1.

17 Q. Okay, let's start with the Tenneco well in  
18 Section 2 --

19 A. Yes.

20 Q. -- and let's go to Exhibit Number 6, and I'd ask  
21 you to explain what that shows.

22 A. Okay, Exhibit Number 6 is a *Dwight's* production  
23 plot showing the daily gas rate, the daily condensate rate  
24 and the daily water rate produced by the Tenneco "ADP"  
25 State Com Number 1. The well began production in 1989 and,

1 using the last three or four years of history, I have an  
2 established decline rate that is relatively consistent with  
3 the overall life of the well and used that decline rate and  
4 the most recent production rate to make an estimate of the  
5 remaining recoverable reserves from that well.

6 Q. And is that estimate shown on the next exhibit,  
7 Exhibit Number 7?

8 A. Yeah, the calculations that go into that exhibit  
9 are shown on Exhibit Number 7.

10 Q. And what does that show you?

11 A. Exhibit Number 7 shows that the estimated  
12 remaining recoverable reserves from the well are about 250  
13 million cubic feet. Exhibit 6 shows that the cumulative  
14 production to date for the well is about 800 million cubic  
15 feet. It yields an estimated ultimate recovery from the  
16 well of just over 1 BCF, 1060 million cubic feet.

17 It's also important to note that the well has  
18 produced about 80 percent of its reserves, so the error in  
19 that EUR is probably relatively low.

20 Q. All right, let's go to the other well, the well  
21 in the southwest of Section, the Lagarto well, and I'd ask  
22 you to identify and review Exhibit Number 8.

23 A. All right. Exhibit Number 8 also is a *Dwight's*  
24 production plot of the production history of the Lagarto  
25 AMZ State Number 1, operated by Yates Petroleum. The well

1 was completed in mid-1990 and has been on production  
2 continuously since then.

3 I have used this production plot, which shows the  
4 daily gas production rate, the daily oil production or  
5 condensate production rate and the daily water production  
6 rate to estimate a decline rate for the well using the last  
7 four or five years of production history.

8 Q. Let's go to your decline curve analysis on the  
9 Lagarto, Exhibit Number 9, and I'd ask you to review that.

10 A. All right. Exhibit Number 9 shows a decline  
11 analysis calculation to estimate the remaining ultimate --  
12 or the remaining recoverable reserves from the Lagarto  
13 State Number 1. That would be about 600 million cubic  
14 feet. The cumulative production to date from the Lagarto  
15 State Number 1 is about 1.2 BCF, yielding an estimated  
16 ultimate recovery from the well of about 1.8 BCF.

17 Q. All right, let's go to Exhibit Number 10. What  
18 is that?

19 A. Exhibit Number 10 is the combination of the  
20 material balance decline curve estimates of recoverable  
21 reserves, and original gas-in-place calculation based on  
22 those recoverable reserves for each well, and a volumetric  
23 calculation to estimate the drainage area, or the storage  
24 volume required to reservoir that volume of hydrocarbons.

25 The first part, or the first half, is the

1 calculation for the Lagarto State Number 1 in the southwest  
2 quarter of Section Number 1. It shows that using an 80-  
3 percent recovery factor and recoverable reserves of about  
4 1.8 BCF original gas in place would be 2 1/4 BCF or 2.24  
5 BCF.

6 The calculation of the hydrocarbon storage  
7 capacity required would yield an area, given the thickness  
8 from the logs and the porosity from the logs, of about 180  
9 acres for the Yates Tenneco "ADP" State Number 1, which is  
10 located in the southeast quarter of irregular Section  
11 Number 2. A similar series of calculations shows original  
12 gas in place of about 1.3 BCF and an areal extent of the  
13 reservoir required to store that much gas of about 160  
14 acres, 158 acres.

15 Q. So you have two wells that immediately offset one  
16 another. One can drain approximately 180 acres, the other  
17 about 150 acres?

18 A. That's correct.

19 Q. What conclusions can you reach from this?

20 A. My primary conclusion from this would be that the  
21 320-acre proration unit could not be efficiently drained by  
22 one well.

23 Q. In your opinion, is a second well necessary to  
24 effectively drain the reserves under these 320-acre units?

25 A. That would be correct.

1 Q. What would be the impact on Yates if this  
2 Application were denied?

3 A. If the Application were denied, Yates would be  
4 denied its right to efficiently produce its reserves  
5 beneath its proration unit.

6 Q. At this time, would Yates go forward and drill a  
7 stand-alone well to test the Atoka in this section?

8 A. At this point in time, no, we would probably not.  
9 Although the ultimate recoverable reserves appear to be  
10 attractive for a stand-alone well, I would draw your  
11 attention to the amount of time that it takes to produce  
12 the reserves. Recoverable reserves of about 1.1 BCF from  
13 the Tenneco well will take approximately 15 years to  
14 produce, and recoverable of about 1.8 BCF from the Lagarto  
15 well are going to take nearly 20 years to recover.

16 Q. Is it possible that you could ultimately want to  
17 develop the area with four wells per section?

18 A. That's correct.

19 Q. In your opinion, would approval of the  
20 Application impair the correlative rights of any interest  
21 owner in the area?

22 A. No.

23 Q. You're only draining the acreage that's dedicated  
24 to those wells?

25 A. That's correct.



1 Q. Will approval of the Application otherwise be in  
2 the best interests of conservation, the prevention of waste  
3 and the protection of correlative rights?

4 A. Yes.

5 Q. Were Exhibits 6 through 10 prepared by you?

6 A. Yes.

7 MR. CARR: At this time, Mr. Examiner, we would  
8 move the admission into evidence of Yates Exhibits 6  
9 through 10.

10 EXAMINER ASHLEY: Exhibits 6 through 10 will be  
11 admitted as evidence.

12 MR. CARR: And that concludes my direct of Mr.  
13 Pearson.

14 EXAMINATION

15 BY EXAMINER ASHLEY:

16 Q. Mr. Pearson, in the two wells that you just  
17 described, could you give me the depth of the perforations?

18 A. Yes -- Actually, I can't on the Lagarto, but it's  
19 very similar to the Tenneco perforations, and if you can  
20 get your Section A-A' out --

21 Q. Okay.

22 A. -- there's a pay zone at about 11,900 feet.  
23 That's a CNL/LDT. It's the far right-hand well, I'm sorry.  
24 It's identified on this cross-section as the Petroleum  
25 Reserve Tenneco State Number 1.

1 Q. Okay.

2 A. And there's a pay zone that begins at about  
3 10,000 -- or excuse me, at about 11,904, and the perforated  
4 interval is from roughly 11,910 to -16, that little bit of  
5 gas show there, a crossover effect on the density neutron  
6 logs.

7 The Lagarto was not included on this section, but  
8 the depth of the pay zone perforations is very similar, and  
9 there's not a lot of structural relief.

10 EXAMINER ASHLEY: I have no further questions,  
11 Mr. Pearson. Thank you.

12 THE WITNESS: You're welcome.

13 MR. CARR: May it please the Examiner, that  
14 concludes our presentation in this case.

15 EXAMINER ASHLEY: There being nothing further in  
16 this case, Case 12,130 will be taken under advisement.

17 (Thereupon, these proceedings were concluded at  
18 10:00 a.m.)

19 \* \* \*

20  
21 I do hereby certify that the foregoing is  
22 a correct record of the proceedings in  
23 the Examiner hearing of Case No. 12130,  
heard by me on 4-1 1999.

24 Mark Rohlfing, Examiner  
25 Off Conservation Division

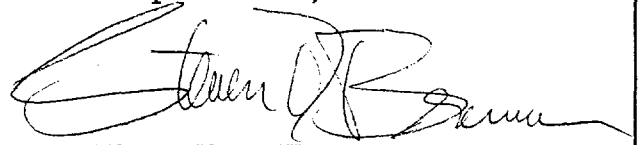
## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 4th, 1999.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002