

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. 12,773  
)  
APPLICATION OF KUKUI OPERATING COMPANY )  
FOR COMPULSORY POOLING AND A NONSTANDARD )  
GAS SPACING AND PRORATION UNIT, LEA )  
COUNTY, NEW MEXICO )  
\_\_\_\_\_)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

January 10th, 2002

Santa Fe, New Mexico

02 JAN 24 PM 3:18  
OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, January 10th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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January 10th, 2002  
Examiner Hearing  
CASE NO. 12,773

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## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS  
Attorney at Law  
Energy, Minerals and Natural Resources Department  
Assistant General Counsel  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

## ALSO PRESENT:

DAVID R. CATANACH  
Hearing Examiner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 11:28 a.m.:

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6           EXAMINER BROOKS: Okay, at this time we'll call  
7 Case Number 12,773, Application of KUKUI Operating Company  
8 for compulsory pooling and a nonstandard gas spacing and  
9 proration unit, Lea County, New Mexico.

10           MR. CARR: May it please the Examiner, my name is  
11 William F. Carr with the Santa Fe office of Holland and  
12 Hart, L.L.P.

13           We represent KUKUI Operating Company, and I have  
14 two witnesses.

15           (Off the record at 11:29 a.m.)

16           (The following proceedings had at 11:30 a.m.)

17           EXAMINER BROOKS: We will now return to Case  
18 Number 12,773.

19           And Mr. Carr, who are your witnesses?

20           MR. CARR: I have Steve Sandlin, landman; John  
21 Thoma, geologist.

22           EXAMINER BROOKS: Would the witnesses please  
23 stand to be sworn?

24           (Thereupon, the witnesses were sworn.)

25           EXAMINER BROOKS: You may proceed.

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STEVE SANDLIN,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Mr. Sandlin, would you state your full name for the record, please?

A. Steve Sandlin.

Q. Where do you reside?

A. Houston, Texas.

Q. By whom are you employed?

A. KUKUI Operating Company.

Q. And what is your position with KUKUI Operating Company?

A. I'm vice president of land for KUKUI Operating Company.

Q. Have you previously testified before this Division?

A. No, I have not.

Q. Would you summarize your educational background for Mr. Brooks?

A. I have a petroleum land management degree from the University of Oklahoma in 1974.

Q. And since graduation, for whom have you worked?

A. I've held land positions with Amoco Production

1 Company, American Petro Fina Company of Texas, independent  
2 in Houston, Harry H. Cohen and the Cohen Family Operating  
3 Company, Quintana Petroleum Corporation, and I've been  
4 associated with KUKUI Operating Company since September of  
5 1995.

6 Q. In all the jobs you described, have you been  
7 employed as a petroleum landman?

8 A. Yes, sir.

9 Q. Does the geographic area of your responsibility  
10 for Kukui include the portion of southeastern New Mexico  
11 that is involved in this case?

12 A. Yes, it does.

13 Q. Are you familiar with the Application filed in  
14 this matter?

15 A. Yes, sir.

16 Q. Are you familiar with the status of the lands in  
17 the area which is the subject of the Application?

18 A. Yes, sir, I am.

19 MR. CARR: May it please the Examiner, we tender  
20 Mr. Sandlin as an expert witness in petroleum land matters.

21 EXAMINER BROOKS: His credentials are accepted.

22 Q. (By Mr. Carr) Mr. Sandlin, would you briefly  
23 summarize for the Examiner what it is that Kukui seeks with  
24 this Application?

25 A. Yes, sir, we're seeking an order pooling the

1 mineral interests in all formations from the surface to the  
2 base of the Morrow in Irregular Section 6, Township 16  
3 South, Range 35 East, consisting of 329.83 acres, being  
4 Lots 1, 2, 7, 8, 9, 10, 15 and 16. We would ask that the  
5 DeGas "6" State Com Well Number 1 be designated as the unit  
6 well, located 1980 feet from the north line and 1200 feet  
7 from the east line of said Section 6.

8 Q. And this is an irregular section, is it not?

9 A. Yes, sir, it is.

10 Q. And that is the reason we have 329.83 acres  
11 instead of a standard unit?

12 A. That's right.

13 Q. Let's go to what has been marked as Exhibit  
14 Number 1. Would you identify that, please?

15 A. Yes, sir, this is a plat of Irregular Section 6,  
16 Township 16 South, 35 East, Lea County. The area shaded  
17 represents the proposed 329.83-acre unit, again consisting  
18 of Lots 1, 2, 7, 8, 9, 10, 15 and 16. It indicates the  
19 indication of the proposed well, the DeGas "6" State Com  
20 Number 1, and its footage calls.

21 Q. What is the primary objective in this well?

22 A. The primary objective would be Atoka-Morrow.

23 Q. And is this in the undesignated North Eidson-  
24 Morrow Gas Pool area?

25 A. It would be, yes.

1 Q. Let's go to Exhibit Number 2. Would you identify  
2 and review that, please?

3 A. Yes, sir, this is an ownership breakdown of the  
4 ownership within the proposed 329-acre unit. Down the  
5 left-hand column of the page, by lot, is the names of the  
6 various mineral owners. Through the middle of the page are  
7 their net-acre ownership within the unit. And the right-  
8 hand column indicates the parties that those mineral owners  
9 have leased to, or in some cases they're unleased, as has  
10 been indicated. And at the bottom of the page we've  
11 summarized the unit participation for the unit, both  
12 parties that have voluntarily agreed to participate and  
13 those that are unleased or uncommitted to the unit.

14 Q. At this point in time, what percentage of the  
15 working interest is voluntarily committed to this well?

16 A. Approximately 96.67 percent.

17 Q. Let's refer to what has been marked as KUKUI  
18 Exhibit Number 3. I'd ask you to identify this exhibit and  
19 then review for Mr. Brooks your efforts to reach voluntary  
20 agreement for the development of the spacing unit.

21 A. Yes, sir, this is a compilation of the  
22 correspondence between KUKUI Operating Company and the  
23 mineral owners within the proposed unit, selected  
24 correspondence, primarily with those parties that are as  
25 yet uncommitted.

1           Our first correspondence to all of the owners was  
2 on September 25th of last year when we made the offer for  
3 them to either participate or lease. They were presented  
4 with an AFE at that time.

5           We then followed that up with another letter, I  
6 believe in October. We've had several conversations with  
7 these owners from time to time but as of this morning have  
8 been unable to reach a voluntary agreement with the few  
9 parties shown on the bottom of the page.

10           Q.   And they're identified on Exhibit 2?

11           A.   Yes, they are.

12           Q.   Let's go to what has been marked for  
13 identification as Exhibit Number 4. What is this?

14           A.   Exhibit Number 4 is the AFE, KUKUI Operating  
15 Company's AFE, for this well, the DeGas "6" State Com  
16 Number 1.

17           Q.   Would you review the totals, please?

18           A.   Yes, it was prepared September 17th, 2001. The  
19 estimated dryhole cost is \$1,112,400, the estimated  
20 completed cost is \$1,500,500.

21           Q.   Has KUKUI drilled other Morrow wells in the  
22 immediate area?

23           A.   Yes, sir, we have.

24           Q.   And are these costs in line with what the actual  
25 costs were for those other Morrow wells?

1 A. Yes, sir, they are.

2 Q. Have you made an estimate of the overhead and  
3 administrative costs to be incurred while drilling the well  
4 and also while producing it, if it is successful?

5 A. We have.

6 Q. And what are those figures?

7 A. We estimate the overhead for a drilling well  
8 would be \$4750 per month and for a producing well would be  
9 \$475 per month.

10 Q. Are these the figures set out in the joint  
11 operating agreement for this well?

12 A. Yes, sir, they are.

13 Q. And how do these compare to the Ernst and Young  
14 figures for wells in this area to this depth?

15 A. The drilling well rate is compatible with those  
16 figures. I think it actually represents the mean. The  
17 producing well rate is somewhat lower than is represented  
18 in the Ernst and Young report.

19 Q. And do you request that these figures be  
20 incorporated into the order which results from this  
21 hearing?

22 A. Yes, we do.

23 Q. Would you identify KUKUI Exhibit 5?

24 EXAMINER BROOKS: Excuse me, could you repeat the  
25 overhead figures again, please?

1 THE WITNESS: Yes, sir, the drilling well rate is  
2 \$4750 per month, the producing well rate is \$475 per month.

3 EXAMINER BROOKS: Thank you.

4 Q. (By Mr. Carr) Okay, identify Exhibit 5.

5 A. Exhibit 5 is the operating agreement that we  
6 propose to use to drill the DeGas "6" State Com Number 1.

7 Q. Attached to this agreement are the COPAS  
8 accounting procedures for joint operations?

9 A. Yes, sir.

10 Q. And do these procedures provide for the  
11 adjustment of the overhead and administrative charges?

12 A. Yes, they do.

13 Q. Does KUKUI request that the overhead and  
14 administrative charges set by this order or the order that  
15 results from this hearing be adjusted in accordance with  
16 these COPAS procedures?

17 A. Yes, sir, we do.

18 Q. Is KUKUI Exhibit Number 6 an affidavit with  
19 attached letters confirming that --

20 (Building-evacuation alarm sounded.)

21 Q. (By Mr. Carr) -- notice of this Application has  
22 been provided in accordance with the Rules of the Division?

23 A. Yes, it is.

24 EXAMINER BROOKS: I believe we are supposed to  
25 evacuate whenever we hear this.

1 (Off the record at 11:37 a.m.)

2 (The following proceedings had at 11:38 a.m.:)

3 Q. (By Mr. Carr) You had just identified Exhibit  
4 Number 6, which is a notice affidavit. Does this affidavit  
5 confirm that notice of this Application has been provided  
6 to all affected parties in accordance with the rules of the  
7 Division?

8 A. Yes, it does.

9 Q. And this is the correct notice affidavit for this  
10 case?

11 A. I believe it is.

12 Q. Were KUKUI Exhibits 1 through 6 either prepared  
13 by you, or have you reviewed them and can you testify as to  
14 their accuracy?

15 A. Yes, sir, I can.

16 MR. CARR: At this time, Mr. Examiner, we would  
17 move the admission into evidence of KUKUI Exhibits 1  
18 through 6.

19 EXAMINER BROOKS: Exhibits 1 through 6 will be  
20 admitted.

21 MR. CARR: That concludes my direct examination  
22 of Mr. Sandlin.

23 EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Okay, I need to review a few things here. Lots

1 1, 2, 7, 8, 9, 10, 15 and 16 --

2 A. Yes, sir.

3 Q. -- according to your plat, correct?

4 A. Right.

5 Q. And the well is to be located 1980 feet from the  
6 north and 1200 feet from the east?

7 A. Yes, sir.

8 Q. Okay. The Undesignated something-Morrow Pool and  
9 -- I need to get you to spell that.

10 A. Eidson, E-i-d-s-o-n.

11 Q. E-i-d-s-o-n. This is designated -- This is a  
12 state com well. Is this all state acreage, or is there  
13 private acreage?

14 A. There is fee acreage. Lots 1, 2, 7 and 8 is a  
15 state lease. Lots 9, 10, 15 and 16 are fee leases.

16 Q. Well, of course they would have to be, because  
17 you've got unleased acreage in here.

18 A. Yes, sir.

19 Q. Now, the unleased acreage, where is --

20 A. The unleased acreage is all situated in Lots 9,  
21 10 and 15.

22 Q. Lots 9, 10 and 15. And you've also got some --  
23 Do you have uncommitted working interest owners?

24 A. I have one.

25 Q. Which one is that?

1 A. Dalco Petroleum.

2 Q. Okay. They have a .90 interest, that's nine-  
3 tenths of one percent -- No, .271 percent, right?

4 A. That's right.

5 Q. Okay, it's .90 acres. And what land does their  
6 lease apply to?

7 A. They're also under Lots 9, 10 and 15.

8 EXAMINER BROOKS: Okay. I guess that's all I  
9 have.

10 Mr. Catanach?

11 EXAMINER CATANACH: No questions.

12 MR. CARR: May it please the Examiner, at this  
13 time we call John Thoma.

14 JOHN THOMA,

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

17 DIRECT EXAMINATION

18 BY MR. CARR:

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

20 A. John Thoma, T-h-o-m-a.

21 Q. Mr. Thoma, where do you reside?

22 A. Grayford, Texas.

23 Q. By whom are you employed?

24 A. I'm employed by KUKUI Company, Echo Production  
25 and Dallas Production.

1 Q. And are you the petroleum engineer for this  
2 project, or geologist?

3 A. Geologist.

4 Q. Have you previously testified before this  
5 Division?

6 A. Yes, I have.

7 Q. At the time of that testimony, were your  
8 credentials as an expert in petroleum geology accepted and  
9 made a matter of record?

10 A. Yes, they were.

11 Q. Have you ever testified before Mr. Brooks?

12 A. No, I have not.

13 Q. Could you just briefly summarize your educational  
14 background?

15 A. I received a bachelor of science degree in  
16 geology from Long Island University in 1980.

17 Q. And following graduation, for whom did you work?

18 A. From 1980 through 1984 I was employed by Fayette  
19 Oil and Gas Company in Denver; and from 1984 through 1991  
20 by Santa Fe Energy in Denver and Midland, Texas; from 1991  
21 through 1995 by Maralo in Midland, Texas; from 1995 to 1998  
22 -- actually 1999, by Penwell Energy; and from 1999 through  
23 the present by those I mentioned earlier.

24 Q. And in all of those jobs you were employed as a  
25 petroleum geologist?

1           A.    Yes, sir.

2           Q.    Your current area of responsibility includes the  
3 portion of southeast New Mexico which is involved in this  
4 case?

5           A.    Yes, it does.

6           Q.    Are you familiar with the Application filed in  
7 this case on behalf of KUKUI?

8           A.    Yes.

9           Q.    Have you made a geological study of the area  
10 which is involved in this Application?

11          A.    Yes, I have.

12                MR. CARR:  Are the witness's qualifications  
13 acceptable?

14                EXAMINER BROOKS:  The witness's qualifications  
15 are accepted.

16          Q.    (By Mr. Carr)  Mr. Thoma, let's go to what has  
17 been marked as Exhibit Number 7.  I'd ask you to first  
18 identify that and then review the information on this  
19 exhibit for Mr. Brooks.

20          A.    Exhibit Number 7 is a production map.  And on  
21 that map you'll note that the wells that have a production  
22 annotated on them have three different colors:  blue, which  
23 is correlative to Morrow production;  purple, which is  
24 correlative to upper Pennsylvanian carbonate production,  
25 primarily Cisco/Canyon production;  and the brown, which is

1 Atoka production.

2 The proration unit, the subject of this case, is  
3 shown in the east half, and the proposed location is so  
4 annotated in the northeast quarter of Section 6.

5 Q. This shows all wells in approximately a three-  
6 mile area; is that correct?

7 A. That's correct.

8 Q. There is a Morrow well offsetting the proposed  
9 spacing unit in the west half of Irregular Section 6; is  
10 that correct?

11 A. That's correct.

12 Q. And what pool is that well completed in?

13 A. It's an undesignated Morrow.

14 Q. Is that well currently producing?

15 A. No, it is not.

16 Q. If we go down to the south there are a number of  
17 well spots. What is the principal producing formation  
18 south and southeast of the proposed location?

19 A. Atoka.

20 Q. And what pool is that? Do you know?

21 A. Townsend.

22 Q. If we look at the numbers, you've got two numbers  
23 by certain wells. The top number is the gas?

24 A. That's correct, top is gas, bottom is condensate.

25 Q. And this exhibit also contains a trace for a

1 subsequent cross-section; is that right?

2 A. That's correct.

3 Q. And that's Exhibit Number 8?

4 A. Yes.

5 Q. Let's go to that cross-section, and I'd ask you  
6 to review the information on it for Mr. Brooks.

7 A. Exhibit 8 is a stratigraphic cross-section  
8 through the area. It runs from northwest to southeast, and  
9 it's annotated on each of the three subsequent exhibits,  
10 the production map I just showed you and the two subsequent  
11 exhibits, structure and isopachs.

12 The section is hung at the top of the Atoka  
13 clastics on a shale marker, which is regionally  
14 correlatable across the Basin. It shows the top of the  
15 Morrow clastics down in the middle of the section; it's  
16 labeled and has the blue shading above it. That is the  
17 Morrow lime immediately above that, which is also shaded in  
18 blue, is the horizon that the structure map is drawn on.

19 The cross-section shows the producing horizons of  
20 interest in both the Atoka section and the Morrow section  
21 in the area that we're looking at.

22 Starting at point A on the left of the section,  
23 the Henson Federal "6" Com Number 1, that well was  
24 completed in 1981 from the Morrow perforations shown.  
25 Immediately after they tested the Morrow, they came up and

1 tried adding the Atoka to the Morrow and commingling the  
2 two. The Atoka turned out to be wet in this wellbore.  
3 They subsequently squeezed those perforations, came back  
4 down, produced the Morrow, through May of 1988, and the  
5 well has subsequently been plugged and abandoned. The well  
6 cumulatively produced 739 million feet of gas and 7900  
7 barrels of oil from those Morrow perforations.

8           The second well, the EOG Bullwinkle Number 1, is  
9 also in Section 6. It's in the southeast of the southwest  
10 of Section 6. They penetrated rather thin, which turned  
11 out to be noncommercial, Morrow sands that are colored --  
12 shaded in light yellow. You can see where they set the  
13 cast iron bridge plug at the top of the Morrow clastics.  
14 They came up and shot the Atoka sand and the Townsend sand,  
15 and that well is currently active and producing from the  
16 Townsend sand. It was completed in February, 2001, and has  
17 produced, through July of 2001, 69 million cubic feet of  
18 gas and 2600 barrels of oil. It is currently producing  
19 roughly 100 MCF a day. Very marginal, considering the  
20 depth.

21           The fourth well [*sic*], the Louis Dreyfus Harrod  
22 "7" Com Number 1 is located in the northeast northeast of  
23 Section 7, straight sought, due south of our proposed  
24 location by approximately one mile. That well is  
25 commingled, producing from commingled perforations in both

1 the Morrow and the Townsend sand. It was completed in  
2 August of 2000 and has produced, through July of 2001, 321  
3 million cubic feet of gas and 5500 barrels of oil.

4 The last well on the cross-section, the Hillin  
5 Production State "LQ" is located in the southeast of the  
6 southwest of Section 5, just southwest of the proposed  
7 location, and it did not encounter any sands in either the  
8 Atoka or the Morrow intervals.

9 Q. Let's take a look at the Morrow. Refer to your  
10 Exhibit Number 9, the Morrow structure map.

11 A. Okay. As I mentioned, Exhibit 9 is a structure  
12 map drawn on the Morrow lime marker, as annotated on the  
13 cross-section. What it shows, in general, is regional dip  
14 to the east -- I'm sorry, to the west. There are  
15 discontinuities in the structure, it's clearly not straight  
16 regional dip. There's a significant structural high in the  
17 southwest -- I'm sorry, in the southeast quarter of Section  
18 6, which was a dry hole. It also did not encounter any  
19 productive sands in the Atoka or the Morrow.

20 The HNG well in the east half of Section 6 -- I'm  
21 sorry, in the west half of Section 6, was wet in the Atoka.  
22 And so one of the objectives in the prospect is to get high  
23 to that well, and that's also one of the risks in the  
24 prospect. We need to get high to the Henson well, yet we  
25 need to maintain sufficient reservoir quality to achieve a

1 completion of higher quality than was achieved in the  
2 Bullwinkle well, which was high structurally to the Henson  
3 well, but it is by and large very low perm and porosity and  
4 noncommercial.

5           And so the structural position is one of the key  
6 elements and one of the risks associated with the prospect.  
7 If we're too high structurally, we will either be void of  
8 sand or it will be tight. If we're too low, it will be  
9 wet. And so we're trying to find the middle ground where  
10 the production will be best and sand development will be  
11 best.

12           Q. Let's go now to Exhibit Number 10, your isopach  
13 of the Atoka sand.

14           A. The isopach -- As you can see, the Henson "6" Com  
15 in the west half of 6 and the Bullwinkle well both  
16 penetrated approximately 24 and 26 feet of net sand. That  
17 channel trends generally northeast-southwest.

18           Looking at the east half of the section, where  
19 our location is, coming directly south from our location,  
20 you come up on that structural high, which is bald.  
21 There's no Atoka or Morrow sand in that well.

22           And then coming south again from that, the  
23 Dreyfus well, which is commingled from both the Morrow and  
24 the Atoka, has six feet of Atoka sand. The map that you're  
25 looking at is an isopach map of just this Atoka sand, the

1 Townsend sand. But the Morrow sands seem to behave  
2 generally, in terms of thickness, sympathetically with  
3 Atoka thicknesses. So where you have fairly well developed  
4 Atoka sand thicknesses, you typically see fairly well  
5 developed Morrow sand thickness, and you can judge that  
6 from the cross-section, from the three wells that did  
7 penetrate Atoka and Morrow sands on the cross-section.

8           And so there is a structural high that runs  
9 through the middle of that section. We believe there's a  
10 saddle in the northeast quarter -- you can see it on the  
11 structure map -- and we're trying to drill just on the  
12 north side of that saddle. And we're hoping that this  
13 channel coming up from the south, out of Townsend field,  
14 continues on up through the east half of Section 6.

15           But the stratigraphic risk is fairly significant,  
16 because, as evidenced by this plat, there really are no  
17 penetrations of the Atoka-Morrow section north of the south  
18 half of Section 6. You have one penetration in the  
19 southwest southwest of Section 34, just northwest of the  
20 proposed location by about a mile. You have one  
21 penetration right on the edge of the map, at the  
22 northeastern edge of the map, we have five foot of sand.  
23 And that was a very old sonic log, and so I'm estimating  
24 the porosity, but I'm not even certain that had viable  
25 porosity in the Atoka-Morrow.

1           So we're basically trying to extend production  
2 into an area that, to this point, does not have any  
3 commercial production in it, and we feel there's  
4 substantial structural and stratigraphic risk associated  
5 with the prospect.

6           Q.    Mr. Thoma, based on your geological review of  
7 this area, are you prepared to make a recommendation to the  
8 Examiner concerning the risk penalty that should be imposed  
9 on any interest owner who doesn't voluntarily participate  
10 in the well?

11          A.    Yes.

12          Q.    And what is that penalty?

13          A.    200 percent.

14          Q.    Do you believe there is a chance that you could  
15 drill a well at this location that, in fact, would not be a  
16 commercial success?

17          A.    Yes, I do.

18          Q.    Does KUKUI Operating Company seek to be  
19 designated operator of the well?

20          A.    Yes, they do.

21          Q.    And how soon does KUKUI plan to drilling of this  
22 well?

23          A.    First quarter.

24          Q.    In your opinion, will approval of this  
25 Application and the drilling of the proposed well be in the

1 best interest of conservation, the prevention of waste and  
2 the protection of correlative rights?

3 A. Yes, sir, I do.

4 Q. Were Exhibits 7 through 10 prepared by you?

5 A. Yes, they were.

6 MR. CARR: At this time, Mr. Brooks, we move the  
7 admission into evidence of KUKUI Operating Company Exhibits  
8 7 through 10.

9 EXAMINER BROOKS: 7 through 10 are admitted.

10 MR. CARR: That concludes my direct examination  
11 of Mr. Thoma.

12 EXAMINATION

13 BY EXAMINER BROOKS:

14 Q. Okay, just out of curiosity, why do you think  
15 that there's a saddle up there north of that structural  
16 high in the south half of the proposed unit?

17 A. We had some seismic data through the area that  
18 shows the structural high in the southeast quarter, and it  
19 shows dropping a low in the middle of the section and then  
20 coming back up into the northeast quarter.

21 Q. So your prospect analysis is based primarily on  
22 seismic, then?

23 A. That portion of it right there, Mr. Brooks, is.  
24 But -- You can see it integrates the subsurface data, by  
25 and large, but if you didn't have the seismic data you

1 would probably draw that structure straight through --

2 Q. That was why I was wondering why --

3 A. -- the northeast quarter.

4 EXAMINER BROOKS: Okay, thank you.

5 Anything, Mr. Catanach?

6 EXAMINER CATANACH: No, sir.

7 EXAMINER BROOKS: Very good. We will stand in  
8 recess -- Let's make it 1:30.

9 MR. CARR: Thank you.

10 (Thereupon, these proceedings were concluded at  
11 11:25 a.m.)

12 \* \* \*

13  
14  
15  
16 I do hereby certify that the foregoing is  
17 a complete record of the proceedings in  
18 the Examiner's office of Case No. 12772,  
heard by me on Jan 10, 2002.  
19 David K. Brooks Examiner  
Oil Conservation Division  
20  
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22  
23  
24  
25

## 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 January 14th, 2002.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002