OFFSETTING OPERATORS

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702
Atten: Mr. Steve Daniels

Hondo Oil & Gas Company
Post Office Box 2208
Roswell, New Mexico 88202

Amoco Production Company
Post Office Box 68
Hobbs, New Mexico 88240

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

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Marathon Oil Company
Atten: Steve Daniels
P.O. Box 552
Midland, TX 79702

4. Article Number
P-484 032 737

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☐ Insured ☐ COD

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5. Signature – Addressee
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6. Signature – Agent
X Don Manes

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8. Addressee's Address *(ONLY if requested and fee paid)*

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3. Article Addressed to:
Hondo Oil & Gas Company
Post Office Box 2208
Roswell, NM 88202

4. Article Number
P-484 032 736

Type of Service:
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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery.

3. Article Addressed to:
Amoco Production Company
Post Office Box 68
Hobbs, NM 88240

4. Article Number
P-484 032 735

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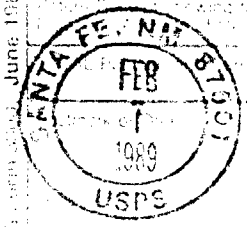
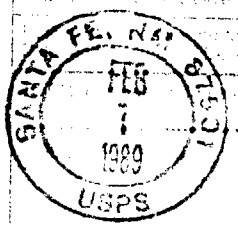
Amoco Prod. Co.
P.O. Box 68
Hobbs, NM 88240



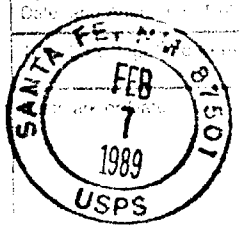
P-484 032 736

Hondo Oil & Gas Co.
P.O. Box 2208
Roswell, NM 88202



P-484 032 737

Marathon Oil Co.
Steve Daniels
P.O. Box 552
Midland, TX 79702



STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

March 14, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Ernest L. Padilla
Padilla & Snyder
Attorneys at Law
Post Office Box 2523
Santa Fe, New Mexico

Re: CASE NO. 9618
ORDER NO. R-8890

Applicant:

Bill Fenn, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Thomas Kellahin

Case 9618
Docket No. 7-89
Hearing Date 3/1/89

Prairie Springs Fed #1

Applicant	Opposition: To Marathon
Attorney: Ernie Padilla	Attorney: Jim Kellahin
Witness(es): (1) Jack Morgan U.S. Resources	Witness(es): (1)
(2) Jim Brannigan	(2)
(3)	(3)

Open - 2 offset Hondo-Marathon - same
990
1050 agree to 40% penalty based on dist to lease line.

U.S. Resources in joint venture

Jack Morgan U.S. Petroleum O.M. P.E. in state
32 years exp from 9 yrs U.S. Resources. also dual compl.
agrees to 40% penalty having waiting
Hondo - same

Jim Brannigan consultant Geol.

REMARKS:

ORDER ISSUED:
CONTINUED TO:
DISMISSED:
ORDER FINALIZED:
ORDER NO.:
CASE NO.:

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

1 March 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Bill Fenn, Inc. for an unorthodox gas well location and dual completion, Eddy County, New Mexico. CASE 9618

BEFORE: Victor T. Lyon, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

For Bill Fenn, Inc.: Ernest L. Padilla
Attorney at Law
PADILLA & SNYDER
P. O. Box 2523
Santa Fe, New Mexico 87504

For Marathon Oil Company: W. Thomas Kellahin
Attorney at Law
KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87504

I N D E X

E X H I B I T S

MR. LYON: Call next Case Number 9618.

MR. STOVALL: Application of Bill Fenn, Inc., for an unorthodox gas well location and dual completion, Eddy County, New Mexico.

MR. PADILLA: Mr. Examiner, my name is Ernest L. Padilla for the applicant. I have two witnesses to be sworn.

MR. KELLAHIN: Mr. Examiner, I'd like to enter my appearance on behalf of Marathon Oil Company. My name is Tom Kellahin. I'm an attorney with the Santa Fe law firm of Kellahin, Kellahin & Aubrey.

MR. PADILLA: Mr. Examiner, I have two witnesses to be sworn.

(Witnesses sworn.)

MR. PADILLA: Mr. Examiner, first let me make a slight or a short opening statement.

In this case we had two major offset operators, Marathon and Hondo Oil and Gas.

We sent the notice to Amoco Production Company, as well as Marathon and Hondo Oil and Gas. We did that out of precaution.

We sent the notice to Amoco

out of precaution but the operator of the property owned by Amoco is Marathon.

Prior to this hearing we have reached an agreement with Marathon and Hondo to allow a 40 percent penalty based strictly on the distance from the well location to the lease line. We have a -- we will introduce Exhibits relating to that agreement.

We would -- therefore our application is subject to that 40 percent penalty based strictly on the distance to lease line.

My clients do not necessarily believe that that is the sole method of determining penalties but in the interest of proceeding with drilling the well and getting on with the drilling program which they have commitments to do that, we need to -- or simply wanted to tell you that we didn't want to collaterally attack the 40 percent penalty that we have reached agreement on with Marathon and Hondo.

There may be other methods of determining penalty which may be appropriate but for purposes of this hearing we'd like to restrict ourselves to the distance to lease line, and it computes exactly to 40 percent the way we have determined this as 90 divided by 1650.

With that I'll proceed with my first witness, Mr. Lyon.

MR. LYON: Proceed.

JACK A. MORGAN,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PADILLA:

Q Mr. Morgan, have you -- for the record would you please state your full name, please?

A Jack, initial A., Morgan.

Q Where do you reside, Mr. Morgan?

A I reside in Dallas, Texas.

Q For whom do you work?

A I work for U. S. Resources, Incorporated.

Q What connection does U. S. Resources have with the applicant, Bill Fenn, Inc.?

A This -- the well, this well that we've applied for the permit for, the Roaring Springs Federal No. 1, is a joint venture between Bill Fenn and U. S. Resources, Inc.

Q Mr. Morgan, have you previously testified before the Oil Conservation Division and had your credentials accepted as a matter of record?

A No, sir, I have not.

Q Can you tell us where you received your degree, please?

A Yes, sir, from the University of Oklahoma.

Q In what?

A In petroleum engineering.

Q And what has been your experience since that time in the oil and gas industry?

A I've spent around 32 years with Sun Oil Company in all phases of engineering and all phases of management and production and drilling operations, regulatory affairs.

I've spent right at nine years now with U. S. Resources, Inc. in all phases of management and engineering, regulatory affairs, production and drilling operations.

Q Mr. Morgan, can you briefly tell us what the nature of the application is today?

A Yes, sir, it's for an unorthodox location in Eddy County, New Mexico. It's -- the regular location, this is in the Indian Basin area, Indian Basin Morrow Pool and Indian Basin Upper Penn Gas Pool, the regular location would be 1650/1650 from the two lines, whereas we're asking for 1650 from the north line and 990 from the

west line, which is an unorthodox location, and also a dual completion for the Upper Pennsylvanian and the lower -- and the Morrow.

Q And have you made a study of how you're going to complete this well?

A Yes, we have, as a dual completion, a two string, two tubing string dual completion.

MR. PADILLA: Mr. Examiner, we tender Mr. Morgan as an expert petroleum engineer.

MR. LYON: Mr. Morgan, are you a registered professional engineer?

A I am in Texas but not in New Mexico, Mr. Examiner.

MR. LYON: Mr. Morgan is considered qualified.

Q Mr. Morgan, let's go on to what we have marked as Exhibit Number One and have you identify that for the Examiner and tell us what that contains.

A Yes. Our Exhibit Number One is a letter to all offset operators on the page number two, which show that there are three of them, Marathon Oil Company, Hondo Oil & Gas Company, and Amoco Production Company.

This is a notice of our application for the unorthodox location for this Roaring Springs Federal No. 1 Well in Eddy County, New Mexico.

Q As a result of that notice, Mr. Morgan, have you received any communications from any of the offset operators?

A Yes, sir, we have. Exhibit Number Two is a letter from Marathon Oil Company in which we agreed, or they agreed with us that they would let us drill the well at 1650 feet from the north line, 990 feet from the west line of Section 14, Township 21 South, Range 23 East, Eddy County, New Mexico, if we provide for a 40 percent penalty to be imposed on the allowable for this well.

Q Are you in agreement with that 40 percent?

A In this special case, we are. As you mentioned earlier, we realize that there are other methods for determining allowables for wells and they would also include the two Indian Basin formations, the Upper Penn and the Morrow; however, we have a time constraint on this well and in order to meet those time constraints we already have a rig, we have investors lined up, we wanted to do this right away, and in order to do this we just -- this -- this 40 percent penalty is within the limits of our economic parameters and we have agreed with Marathon to do this to preclude a protest so we could go ahead and get on with the well.

Q Let's go on to what we've marked as

Exhibit Number Three, Mr. Morgan, and have you tell the Examiner what that is.

A It is a letter that was sent to Hondo Oil & Gas Company, which is another one of the offset operators, advising them that we have reached a 40 percent penalty, production penalty on the allowable for this well at the unorthodox location, and asked them, if they concurred, to sign and send it back, which they have.

Q Okay. Let's go on now to Exhibit Number Four and have you tell us what that is.

A Exhibit Number Four is a completion guide for the dual completion of this well. It encompasses setting 9-5/8ths inch casing through the fresh water zone with cementing back to the surface.

It includes a 7-inch casing string to be set below the Indian Basin Morrow Gas Pool. It encompasses two strings of 2-3/8ths tubing with two packers to isolate the two zones from each other and from the surface. It shows the perforations -- it shows basically perforations from both the Indian Basin Upper Pennsylvanian Gas Pool, which is underlined in red; it shows the flow pattern. It would come up through the short string to the surface.

It shows the Indian Basin Morrow Gas Pool, underlined in blue. It shows the perforations with a blue arrow, showing it would come up through the long

string. And it also shows the packers that would isolate the two zones and also isolate it from the -- from the surface.

These two flow streams will be brought to the surface . They will be produced into separate facilities to -- so that we can keep straight the -- which volumes come from which pools and then would be metered or put in separate facilities until such time as they're sold.

Q Mr. Morgan, would -- is this method of completing the well in the best interest of conservation of oil and gas?

A Yes, sir, it is. We're looking at the possibility of both an Upper Pennsylvanian Gas Pool well here and also an Indian Basin Morrow Gas Pool. Rather than drill two separate wells for this, we have adopted a method of the dual completion. If this dual completion is approved by the Commission, by the Conservation Division, we will save around $500,000 and yet be able to recover the same amount of oil and gas from the two zones.

Q Mr. Morgan, do you have anything further concerning this exhibit?

A No, sir, the exhibit pretty well speaks for itself unless there are any questions about it.

MR. PADILLA: Mr. Examiner, we pass the witness at this point.

MR. LYON: Do you have any other witnesses?

MR. PADILLA: I do, a geologist.

MR. LYON: Yes, and these other exhibits in your --

MR. PADILLA: He will testify as to those. Those are the main exhibits.

CROSS EXAMINATION

BY MR. LYON:

Q Mr. Morgan, I notice on your Exhibit Four that you have a note that no allowance is made for blast joints. Is it your plan to use blast joints?

A Yes, sir. This -- this was an AFE that was -- was provided to us by Otis. Of course they want the job of providing materials. What they mean here is there was no monetary allowance made for it. Yes, sir, we will include blast joints opposite the perforations, especially opposite the Upper Pennsylvanian Pool where -- where we have strings of tubing going up through, we will, of course not need a blast joint at the bottom because the end of the tubing string will be above the perforations for the Morrow Gas Pool.

MR. LYON: I have no further

questions.

MR. PADILLA: At this time we'll call Mr. Jim Brannigan.

J. P. BRANNIGAN,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PADILLA:

Q State your full name, please, and where you reside.

A James Patrick Brannigan, Roswell, New Mexico.

MR. LYON: How do you spell that?

A B-R-A-N-N-I-G-A-N.

MR. LYON: Always a surprise.

Q Mr. Brannigan, what do you do for a living?

A I'm a petroleum geologist.

Q And are you a consultant for Bill Fenn, Inc.?

A I'm consultant for Bill Fenn, Inc., and U. S. Resources.

Q Mr. Brannigan, have you previously testified before the Oil Conservation Division as a petroleum geologist?

A Yes, I have.

Q And have your credentials been accepted as a matter of record?

A Yes, they have.

Q Did you make a study of the Indian Basin Pool insofar as the Cisco and the Morrow formations are concerned and the drill -- this prospect under application today?

A Yes, I did. This is my prospect that we're getting ready to drill.

MR. PADILLA: Mr. Examiner, we tender Mr. Brannigan as an expert petroleum geologist.

MR. LYON: Mr. Brannigan is so qualified.

Q Mr. Brannigan, let's turn to what we have marked as Exhibit Number Five and have you identify that for the Examiner, please.

A Exhibit Number Five is the Indian Basin Upper Penn unorthodox locations. Out of the 61 wells that either are or have produced in the Indian Basin, 25, or 41 percent, were drilled on unorthodox locations and 13 of those 25 were drilled on non-topographic or geological

reasons, or 21 percent were drilled for geological reasons. They were unorthodox.

Q What's the general basis for saying that they were drilled for geologic reasons?

A Well, the generally to get the best reservoir in the Cisco we try to be as far up dip and get into the porosities in the Cisco, the (unclear) in the proration unit.

Q Is this an indication that the reservoir may not be homogeneous?

A That is correct.

Q It's homogeneous or non-homogeneous?

A It's not homogeneous, no. There's different -- there's different porosities within the Cisco.

Q And how about the Morrow formation?

A The Morrow formation is three or four different channel sands that run through the Morrow in this particular area, so they cover -- they tend to come with regional dips northwest to southeast; they're running southeast dip at the time.

Q Mr. Brannigan, would you briefly go through the offset operators. Well, first of all, let me ask, are you familiar with who the offset operators are to the proposed proration unit?

A Yes, I am. All the -- every -- every

section surrounding Section 14, except for Section 13, is operated by -- by Marathon. Section 13 is operated by Bill Fenn, owned by Bill Fenn, so except for -- except for 13, Marathon is the operator of record.

Q Okay. Do you have anything further concerning this exhibit, Mr. Brannigan?

A No, I don't.

Q Let's go on now to the next exhibit, which would be Exhibit Number Six, and have you tell us what that is.

A Exhibit Number Six is a structure map contoured on the top of the Cisco Reef. We have Cisco and Morrow production along with Cisco and Morrow combination wells, dual completions, in the general area of the Roaring Springs.

Q Mr. Brannigan, I notice the structure line that you have running through Section 14 transects the dry hole that you have that was previously drilled in the -- in Section 14. Can you tell us how your well, your proposed well location and that structure line relate to each other?

A Well, we feel with the drilling of the No. 1 Roaring Springs that we should be approximately 50 feet up dip from the well in the southwest quarter of Section 14 that has produced 5.3 BCF out of the Cisco and 5.7

out of the Morrow.

So we should be structurally up dip from that well.

Q What does dip have to do with regard to where you place your location?

A Well, in this case, especially in the Cisco formation, we feel that we need to be as up dip as we can to -- in our location, because we feel the majority of the -- of the production is going to be flowing up dip into our bore hole.

Q Are -- do you feel you're going to drain -- what's the drainage pattern going to be for the well?

A The drainage pattern will be to the west out of Section -- out of -- from Section 14 it will be to the west. We feel the majority is -- we feel it's in the best interest of the State of New Mexico to drill a 990 location because it will be draining -- we'll be completely draining Section 14 with our -- with our location, where if we were a standard location we may not be able to drain some of our acreage on the west, west side of Section 14.

Q Do you feel that there exists reserves in Section 14 even though there's been another well drilled and produced in that section?

A Yes, I do; a couple reasons. The Indian Basin Upper Penn Field has made to date approximately 1.2-

trillion cubic feet of gas with a per well average of 18.3 to 18.4 BCF per well.

The well in Section 14 was -- only produced 5.3 BCF out of that well, and we feel that just if you took a field average, you'd still have significant reserves left in Section 14.

Another reason I think there's some -- there's some gas left in Section 14 both in the Morrow and Cisco, the is the last -- the last bottom hole pressure taken in the well in Section 14, a dry hole in Unit K, had a bottom hole pressure of 1,903 pounds. So there was significant pressure in that well when they plugged it, and we're finding out now within the last year or two that more and more operators in the Indian Basin are putting compressors on their wellheads and getting -- getting commercial gas reserves again.

Q Let me ask you now, you said something relative to drainage, the drainage pattern was to the west.

A I feel that because -- because it will be going up dip towards the west.

Q Does that mean that you'll be draining the eastern part of the section better because of your --

A Yes.

Q -- well location?

A Yes, that's right. That's correct. The

east half of Section 20.

Q In other words, what you're saying is that the flow is going to be from east to west.

A Correct.

Q Do you have anything further concerning this structure map, Mr. Brannigan?

A No, I sure don't.

Q Let's go on to Exhibit Number Seven and tell us what that is.

A Exhibit Number Seven is a Morrow porosity isopach map contoured on a 10 foot interval (unclear) giving an 8 percent when possible cross plot porosity cut-off; if not, whatever log we have available.

What this -- what this map shows, this is the 36 feet in the well in Section 14, is the 36 feet of pay that they had in that well that produced a 5.7 BCF out of the Morrow, and as you can see, the majority of the -- of the porosity extends in Section -- in Section 14; very little in Section 15.

Again, we're drilling (unclear). We anticipate getting around 22 to 25 feet of porosity and being up dip in the Morrow.

Q Anything further concerning the isopach?

A No.

Q Now, this is an isopach for the Morrow

formation, correct?

A Yes, it is.

Q Do you have an isopach for the Cisco?

A No, I don't. I don't have an isopach for the Cisco because a lot of the operators out there, what they did is they just drill into the very top of the Cisco to get the first porosity and go ahead and produce out of it. So most of the wells, not most of the wells, but a large enough percentage of the wells did not penetrate the complete Cisco Reef, so I'd be -- I didn't have the complete well information to do what I would consider a good -- a good map with using the well control.

Q Okay. Let's go on to Exhibit Number Eight and tell us what that is.

A Exhibit Number Eight is a stratigraphic cross section going through showing our proposed location in Section 14 with some offset wells. The datum is the top of the Cisco Reef.

Q Does this cross section show the dip that you were talking about?

A No, it doesn't. It's a stratigraphic cross section instead of a structural cross section.

Q Okay. Would you start explaining what this cross section contains and proceed from left to right, if you would, please.

A Okay. Actually, it's a general look, looking at all the wells. What it is, is the datum is hung on the top of the Cisco formation or the top of the Cisco Reef. If you'll notice on a few of the logs, especially the well in Section 14, there was approximately 5, 4 or 5 drill stem tests taken and that's just kind of indicative of the Cisco in that area, that there isn't -- it isn't a homogeneous reservoir. You can have a gas/water, gas/water reservoir out there so it's important to go ahead and drill stem test the individual zones.

But what it is showing you is it's showing you the continuity, some continuity as far as the reef itself, the datum on top of the reef.

It's also showing that the well in Section -- Section 11 is a classic well of why I don't have a Cisco isopach map.

Q You're talking about, what, the third well on the cross section?

A Yes, the second from the right, and that well there does not have -- did not penetrate all of the -- all of the Cisco Reef.

Q What does this cross section show in relation to your proposed well?

A It shows the proposed location should be between two producing wells; actually should be almost a

5-spot or 4-1/2-spot, a producing mode. We should be right -- we should encounter a real thick Cisco Reef interval and also be to the northwest of the -- of the well in the south half of Section 14, which would put us on regional dip with the Morrow formation as far as deposition.

Q Mr. Brannigan, in your opinion is this the best place to drill this well?

A I think it's the best place to drill the well to adequately drain all the gas reserves out of Section 14.

Q Anything further on the cross section, Mr. Brannigan?

A No, sir.

Q Let's go on to Exhibit Number Nine and have you tell the Examiner what that is.

A Exhibit Number Nine is a production map in the Indian Basin area around the Roaring Springs location, showing Cisco production and also Morrow production, and where available, water and oil production, also.

Q Does this map tell us more about the production figures that you've talked about earlier in terms of the averages and that sort of thing?

A Yes, it does, but it's not -- you wouldn't -- this is just part of the field. It's not -- it's not the entire field but, yes, it does. You can see

that some of the wells directly to the west of us have produced 23, 26, 22 BCF and they're fantastic Cisco wells.

Q Do you anticipate to have that kind of production from your well?

A We're hoping that we can drain what's left in Section 14 and get upwards to maybe 13 BCF out of the Cisco and another 6 or 7-billion out of the Morrow. It's unusual for -- in southeast New Mexico the majority of the Morrow fields are on 320-acre spacing and this, the Morrow -- Indian Basin Morrow Field is on 640, so we feel that there is -- in the Morrow formation there is significant amounts of gas left in the reservoir.

Q You're not proposing to change the pool rules at this time, are you?

A Absolutely not.

Q What else do you have on this exhibit?

A That's -- that's basically it.

Q Okay. Let's go on to Exhibits Ten And Eleven and tell the Examiner what those are.

A Okay. Exhibit Ten and Eleven, Exhibit Ten is the Morrow production out of the Ralph Lowe Well. Ralph Lowe drilled this well in Section 14 of 21, 23 back in 1963 and it -- the well was shut in and never produced until 1966 when Marathon became the operator of the well and sometime within that period Marathon -- that 3-year

period, Marathon took over operations from Ralph Lowe. But what this shows is that the decline -- the history of both the Morrow and Cisco formation decline curves and what it does show is that with compressors, with a compressor put at the surface, this well could probably still be economical; that there is gas reserves left in Section 14.

Q What does that -- okay. Now, in terms of what relevance this has to the -- to the proposed location, can you tell the Examiner what that is?

A Well, I -- that there is significant amounts of gas left in Section 14 and probably the south half of Section 14 hasn't been drained and the north half of 14 is probably -- we're probably looking at somewhere close to virgin bottom hole pressures.

Q Now in terms of the unorthodox location, and potential for existing reserves, are you -- is it your testimony that this -- that your proposed location is going to recover or more efficiently drain Section 14?

A Yes, absolutely. I feel that our location 1650 from the north line and 990 from the west line is probably the best location to drain the remaining gas and condensate in Section 14.

Q And this would be subject to the 40 percent penalty?

A Yes. Yes.

Q Mr. Brannigan, do you -- is it your opinion that approval of this application would be in the best interest of conservation of oil and gas?

A Yes, I do.

Q How about with regard to impairment of correlative rights, are correlative rights protected through the penalty in this case?

A Yes, they are.

MR. PADILLA: Mr. Examiner, we offer Exhibits One through Eleven and tender this witness for cross examination.

MR. LYON: Is there objection? Exhibits One through Eleven will be admitted.

CROSS EXAMINATION

BY MR. LYON:

Q Mr. Brannigan, what is the status of the Lowe Well, the existing well on the proration unit?

A It was inactive and is now plugged and abandoned.

Q Is it now?

A Yes, it is. I believe it was plugged in 1988. It was inactive up until about 1985, '85 is the last date of production, but 1988 is when it was plugged, to the

best of my knowledge.

Q This may be a little random. I'll just take the exhibits as I can -- yeah. You've identified at the top of Exhibit -- your cross -- Eight --

A Yes, sir.

Q -- what the top line, the top of the Cisco. Can you identify for me the other correlations that you've made?

A Okay. The other correlations that I've made, the bottom, the bottom line is the top of the Morrow formation. The other lines that are in there really are just -- are just correlative intervals through the field that I just went ahead and just -- just marked up. Now they may be -- they may be formation tops but for the purposes of this cross section it was just to show stratigraphic correlation through the whole area.

Q Correlation markers.

A That's right.

Q Okay, so they don't have any particular significance.

A No, except for possibly the bottom one, which is the top of the Morrow formation.

What I also find out here is that -- oh, sorry.

Q Okay. That Lowe Well, I presume, was --

went to water?

A We can't show any production figures from the State of New Mexico that the well actually did water out. I think what happened is it just got down, the pressure got so low that they went ahead and just -- they just shut the well in and finally plugged it, and we're -- what we're finding -- what we're finding lately, within the last year or two, Marathon in the meantime just lately have just completed a well in the southwest quarter of Section 22. BHP has drilled a well in the southwest southwest quarter of 36 of the same township and range, and a company, Musselman, Owen & King, has just drilled an unorthodox location also in Section 1 of 22, 23, so we're seeing a lot of infield drilling in the Indian Basin. Nobody's asking for the proration unit to be changed, but we're -- there is significant amounts of gas left and it doesn't appear that -- that one bore hole is actually draining 640 acres.

Q And the -- the spots that you've shown on Exhibit Five are unorthodox locations.

A Yes, they are. Those are all the wells that were drilled inside of the 1650 location, within the -- within the Indian Basin Upper Penn Pool.

MR. LYON: I believe that's all the questions I have.

Mr. Padilla?

MR. PADILLA: We have nothing further, Mr. Examiner, and we do request in the interest of -- if it's possible, to have an expeditious order in this case because of rig commitments and the commitments that our clients have with regard to drilling this well and we, as I indicated before, we went ahead and agreed to the 40 percent penalty based on the recent policy of the Oil Conservation Division of basing penalties on distance to lease line.

So in order to prevent any further delays in drilling the well.

MR. LYON: I understand, and we'll try to get you an order out promptly.

MR. PADILLA: In fact, Mr. Examiner, we would like to have some kind of verbal notice or something as soon as possible so that we can proceed with the commencement of the drilling on this well.

MR. LYON: Well, I can't prejudge the Director's action on it.

MR. PADILLA: I understand that.

MR. LYON: But we'll let you know as soon as possible.

Mr. Brannigan may be excused

and we'll take this case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9618. heard by me on March 1989.

, Examiner
Oil Conservation Division