

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASES 10068, 10069

EXAMINER HEARING

IN THE MATTER OF:

Application of Pacific Enterprises Oil Company
(USA) to Limit the Rules Governing the
Anderson-Pennsylvanian Gas Pool to its Present
Boundary, Eddy County, New Mexico.

Application of Pacific Enterprises Oil Company
(USA) to Limit the Rules Governing the
Fren-Pennsylvanian Gas Pool to its Present
Boundary, Eddy County, New Mexico.

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

September 5, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

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(CASE 10069)

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1 EXAMINER STOGNER: We'll call the next
2 case, No. 10068, which is the application of Pacific
3 Enterprises Oil Company, (USA), to limit the rules
4 governing the Anderson-Pennsylvanian Gas Pool to its
5 present horizontal boundary, Eddy County, New Mexico.

6 Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom
8 Kellahin of the Santa Fe Law Firm of Kellahin,
9 Kellahin & Aubrey, appearing on behalf of the
10 Applicant. I have three witnesses to be sworn.

11 EXAMINER STOGNER: Are there any other
12 appearances in this matter?

13 Will the witnesses please stand to be
14 sworn.

15 (Thereupon, all witnesses were sworn.)

16 EXAMINER STOGNER: You may be seated. Mr.
17 Kellahin?

18 MR. KELLAHIN: Mr. Examiner, we would like
19 to consolidate Case 10068 with the next case, 10069.
20 While they involve two different pools, they do in
21 fact involve the same topic, the proof is generally
22 the same, and we would appreciate the opportunity to
23 consolidate them for hearing purposes in order to
24 expedite the presentation today.

25 I know in Case 10069, Mr. Bruce wanted to

1 make an appearance on behalf of Exxon. I believe he's
2 in the hall, and if I might have a moment, I'll go get
3 him.

4 MR. BRUCE: Mr. Examiner, my name is Jim
5 Bruce from the Hinkle Law Firm in Albuquerque,
6 representing Exxon Corporation. I do not believe I'll
7 have any witnesses in this matter.

8 EXAMINER STOGNER: Mr. Bruce, are you
9 appearing in just Case 10069 only?

10 MR. BRUCE: Yes, in Case 10069.

11 EXAMINER STOGNER: Mr. Kellahin, are there
12 any other witnesses besides the three for 10069?

13 MR. KELLAHIN: No, sir. The same witnesses
14 are in both cases.

15 EXAMINER STOGNER: Okay. Mr. Kellahin.

16 EDWARD "RICK" RICKETTS

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

19 EXAMINATION

20 BY MR. KELLAHIN:

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

23 A. My name is Edward Ricketts, I'm a petroleum
24 geologist.

25 Q. Mr. Ricketts, on prior occasions have you

1 testified before the Division as a petroleum
2 geologist?

3 A. Yes, I have.

4 Q. Pursuant to your employment, would you
5 summarize for us what you have done in terms of a
6 geologic study of both the Anderson-Penn and the
7 Fren-Penn-Morrow gas pools in Eddy County, New Mexico?

8 A. Yes. I have isopached the potential pay
9 zones in those fields, the pay zones in those fields
10 and the potential pay zones in our proposed location.
11 I've also constructed a structure map on the base of
12 the Lower Morrow Shale and a series of cross-sections
13 in the area.

14 MR. KELLAHIN: We tender Mr. Ricketts as an
15 expert petroleum geologist.

16 EXAMINER STOGNER: Mr. Ricketts is so
17 qualified.

18 Q. Mr. Ricketts, to orient the Examiner on
19 your particular aspect of this case, let me take what
20 is marked as Pacific Exhibit 1. Do you have that
21 before you, sir?

22 A. Yes, I do.

23 Q. Let's use this to describe, as you
24 understand it, what Pacific seeks to accomplish in
25 each of these two cases.

1 First of all, identify for us what the base
2 map is. What are we looking at?

3 A. You're looking at a drainage area map for
4 Townships 17 South, 29 East; 17 South, 30 East; and 17
5 South, 31 East.

6 Q. The topic of conversation for Case 10068 is
7 the Anderson pool?

8 A. Yes, that's correct.

9 Q. And how is the Anderson-Penn pool
10 identified on your display?

11 A. It has been outlined in blue. It's located
12 in 17 South, 30 East, the south half of Section 7, the
13 west half of Section 18, and the northwest quarter of
14 Section 19.

15 Q. What is the spacing utilized for wells in
16 the Anderson-Penn pool?

17 A. It is 160 acres.

18 Q. How many wells, to your knowledge, have
19 been drilled in that pool?

20 A. Three wells have been drilled.

21 Q. How are they identified on the display?

22 A. The wells with the drainage circles around
23 them are identified as producing gas wells.

24 Q. Have you utilized the available geologic
25 information for those three wells to make

1 interpretations about the size and shape of the
2 Anderson-Penn pool that these wells are dedicated to?

3 A. Yes.

4 Q. Let's turn your attention now to the area
5 identified as the Fren pool. Do you see that?

6 A. Yes, sir.

7 Q. How is that shown on the display?

8 A. It's outlined in the light green. It's
9 located in 17 South, 31 East. The southwest quarter
10 of Section 15, the east half of Section 21, and the
11 northwest quarter of Section 22.

12 Q. How many gas wells are in that pool?

13 A. Three.

14 Q. Have you examined the geologic information
15 available for those three wells to reach certain
16 geologic conclusions?

17 A. Yes, I have.

18 Q. Identify for us what is represented by the
19 other color coding on the display.

20 A. The other color coding indicates the
21 boundaries of other Morrow gas fields in the three
22 townships.

23 Q. With this as a reference point, let's turn
24 to your next exhibit. I believe you're dealing with
25 the Anderson-Penn?

1 A. Yes, the Anderson-Penn, which would be
2 Pacific Enterprises Square Leg Prospect.

3 Q. Exhibit No. 2 is what, sir?

4 A. It is an isopach of the A zone clean sand.
5 The A zone is an Upper Morrow sand that produces in
6 the area. The map is contoured on a five-foot contour
7 interval. The A zone producing wells are indicated
8 with the blue shaded triangles.

9 Q. When we compare Exhibit 1 to Exhibit 2 and
10 look at the south half of Section 7, there is a gas
11 well in the southeast quarter of 7 that corresponds to
12 the gas well in Section 7 on Exhibit No. 2?

13 A. Yes, sir, that's correct.

14 Q. That is one of the wells on your--shows the
15 line of cross-section from which you've used, then, to
16 prepare the isopach?

17 A. Yes, sir.

18 Q. When we look at the wells in the
19 Anderson-Penn pool, they are the well in Section 7,
20 the one in 18, and then the well in the north half of
21 19?

22 A. Yes, that's correct.

23 Q. When you look into 20, the southeast offset
24 to the Phillips-Grayburg Deep #10 well, that is also a
25 gas well in this Morrow channel?

1 A. That's correct.

2 Q. It looks to be completed in the same Morrow
3 A zone that you've isopached on this exhibit?

4 A. Yes, it is.

5 Q. What is the spacing utilized by the
6 Division for production in Section 20?

7 A. In Section 20 it's part of the Loco Hills
8 South Field, and it's drilled on a 320-acre spacing.

9 Q. Describe for us what you see as a geologist
10 when we look at this Morrow channel here for the A
11 sand that includes portions of the Anderson pool as
12 well as the Loco Hills pool?

13 A. It's a northwest/southeast trending fluvial
14 channel.

15 Q. How was this deposited in the reservoir,
16 Mr. Ricketts?

17 A. Well, it's deposited in a series of point
18 bars by a fluvial or river channel coming from the
19 northwest to the southeast.

20 Q. Has your analysis reached the conclusion
21 that the wells producing out of this A zone of the
22 Morrow in the Anderson-Penn well are, in fact, in the
23 same reservoir as the Loco Hills wells?

24 A. Yes.

25 Q. And yet each is treated on different

1 spacing patterns?

2 A. Yes.

3 Q. Identify for us your understanding of where
4 it is that your company, Pacific Enterprises, wants to
5 drill a gas well to test for production out of this
6 Morrow A channel?

7 A. Okay. It would be in 17 South, 29 East,
8 Section 12; 1980 from the west and 660 from the north.

9 Q. Has it been your task to help the engineers
10 explore what the spacing should be in that section for
11 the development of that section and the drilling of
12 your well?

13 A. Yes, it has.

14 Q. Do you have any other geologic displays
15 that deals with the Anderson-Penn pool?

16 A. Yes, our Exhibit No. 3. Exhibit No. 3 is a
17 clean sand isopach of the B zone contoured on a
18 five-foot interval. The B zone is a Lower Morrow
19 sand, a basal sand, sitting right on top of the
20 Dorchester.

21 Q. Do you find that B sand to have been
22 produced in wells in both the Anderson-Penn as well as
23 the Loco Hills South pool?

24 A. Yes. Also, it produces in the Cedar Lake
25 Field in Section 34 of 17 South, 30 East. This

1 particular zone actually produces in three separate
2 fields along this trend.

3 Q. Is the Morrow B sand in the Anderson-Penn
4 pool intended to be one of the targets for Pacific's
5 well in Section 12?

6 A. Yes, it is.

7 Q. Let me turn your attention now, sir, to
8 your study of the Fren pool. Have you prepared an
9 isopach map on any of the Morrow sands involved in the
10 Fren pool?

11 A. Yes. The Fren pool production primarily
12 comes from what we're calling a Lower Morrow Channel
13 sand, and that's Exhibit No. 4.

14 Q. What are the three wells that you've found
15 in that well to use for geologic control?

16 A. The old Skelly Dow A #3 in Section 15 of
17 17/31, the Skelly Lynch A #6 in Section 22 of the same
18 township, and the Skelly Dow B #21, in Section 21 of
19 the same township.

20 Q. Were those the only three wells in this
21 pool that were completed in and produced gas from the
22 Morrow?

23 A. That's correct.

24 Q. What about the well in Section 22 in the
25 southeast quarter identified as the Skelly #9 Lynch A

1 well?

2 A. That well was nonproductive in this zone.
3 The sand was present but just tight and wet.

4 Q. You used the interpretation of those logs
5 to help you prepare your sand map?

6 A. Oh, yes.

7 Q. What are your company's plans for the
8 development of their acreage within this area?

9 A. We would like to drill a well in Section
10 16, 17/31, located 1980 from the north and 1980 from
11 the east.

12 MR. KELLAHIN: That concludes my
13 examination of Mr. Ricketts, Mr. Examiner.

14 We would move the introduction of Exhibits
15 1 through 4.

16 EXAMINER STOGNER: Are there any
17 objections? Exhibits 1 through 4 will be admitted
18 into evidence.

19 Thank you, Mr. Kellahin, Mr. Bruce, your
20 witness.

21 MR. BRUCE: Just a couple of questions.

22 EXAMINATION

23 BY MR. BRUCE:

24 Q. What are the status of the Skelly wells, do
25 you know?

1 A. Two of them have been recompleted to the
2 Grayburg and/or San Andres, that being the wells in
3 Section 21 and 22. The well in Section 15 is
4 basically temporarily abandoned. It has not produced
5 since 1973, but it's not been plugged.

6 MR. BRUCE: I have nothing else.

7 EXAMINER STOGNER: Nor do I. You may be
8 excused.

9 MR. KELLAHIN: Mr. Examiner, at this time I
10 would like to call Mr. Paul Lerwick, Pacific's
11 petroleum engineer.

12 PAUL LERWICK

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

15 EXAMINATION

16 BY MR. KELLAHIN:

17 Q. Mr. Lerwick, for the record, would you
18 please state your name and occupation?

19 A. My name is Paul Lerwick. I'm a reservoir
20 engineer with Pacific Enterprises.

21 Q. Mr. Lerwick, on prior occasions have you
22 testified before the Division as a petroleum engineer?

23 A. Yes.

24 Q. Pursuant to your employment, have you
25 investigated the Fren pool and the Anderson-Penn pool

1 in Eddy County, New Mexico?

2 A. I have.

3 Q. And based upon that study, have you reached
4 certain engineering conclusions?

5 A. I have.

6 Q. Have you reached a conclusion about what,
7 in your opinion, ought to be the appropriate spacing
8 for further development that takes place adjacent to
9 each of these two pools?

10 A. I have.

11 Q. Have you made an economic analysis, based
12 upon your engineering background, as to whether or not
13 it is proper and appropriate for Pacific, as a
14 prudent operator, to develop this area on 320- versus
15 160-acre spacing?

16 A. I have.

17 Q. Have you analyzed pressure information
18 that's available to you for various areas in Eddy
19 County, New Mexico, and made an analysis of that
20 pressure information?

21 A. I have.

22 Q. Have you conducted drainage calculations
23 and volumetric analyses to determine what, in your
24 opinion, are the drainage areas involved for wells
25 drilled and produced from the Fren and the

1 Anderson-Penn pool?

2 A. I have.

3 MR. KELLAHIN: Mr. Examiner, we tender Mr.
4 Lerwick as an expert petroleum engineering.

5 EXAMINER STOGNER: Are there any
6 objections? Mr. Lerwick is so qualified.

7 Q. Mr. Lerwick, let me take you back to Mr.
8 Ricketts' first display. Before we talk about some of
9 the things that this exhibit represents as part of
10 your work, describe for the Examiner what it is that
11 you, as a reservoir engineer, are faced with when you
12 look at trying to develop, economically, additional
13 gas wells to be produced adjacent to either the
14 Anderson-Penn pool or the Fren-Penn pool.

15 A. We're faced with a number of decisions.
16 One of those is the appropriate spacing for such
17 wells. This is going to effect economic decisions as
18 well as reserve calculation decisions. We're faced
19 with a certain amount of risk analysis involved, and
20 we're faced with the determination of appropriate
21 spacing unit and field rules to meet our objectives.

22 Q. In order to satisfy those questions, what
23 have you studied in order to determine what wells are
24 doing in terms of their productivity and drainage
25 areas within this portion of Eddy County, New Mexico,

1 regardless of the pool that they're dedicated to?

2 A. What we did was to take a three-township
3 area, that being townships 17/29, 17/30 and 17/31. We
4 looked a lot all of the producing Morrow completions
5 in those three townships. We determined what the
6 apparent drainage radius for each of these wells was
7 based on the economic ultimate recovery that we could
8 arrive at from decline curve and/or pressure data, the
9 porosity and original bottom-hole pressures, the net
10 pay thickness and water saturations, all engineering
11 parameters that go into volumetric calculations that
12 we were able to use in determining what each well's
13 apparent radius of drainage is.

14 Q. In making the selection of parameters for
15 your engineering calculations, have you used a range
16 of judgment in selecting those parameters that were
17 conservative and within the range accepted by persons
18 in your discipline?

19 A. We have.

20 Q. And have you applied traditional,
21 well-received engineering calculations and methodology
22 in order to reach conclusions?

23 A. We have.

24 Q. When we look at your Exhibit No. 1, help us
25 understand what is intended to be represented by the

1 circles. Obviously you're not going to have drainage
2 patterns that overlap each other in the reservoir that
3 look like this, are you?

4 A. No. For simplicity sake we just calculated
5 an area of drainage and backed into a radius that's
6 equivalent to that and drew them as circles. In
7 reality, you have channels coming down through there,
8 Morrow sand channels, that are of varying thicknesses
9 and widths that would accommodate the same amount of
10 gas that's represented by these circles, if you knew
11 exactly the configuration underground.

12 Q. Having done this calculation and making the
13 display, then, its intended purpose is to give you a
14 general sense of the range of magnitude of drainage
15 areas for each of the wells?

16 A. That's correct.

17 Q. And it doesn't necessarily accurately
18 represent the actual drainage pattern for each and
19 every well within its channel?

20 A. No.

21 Q. Let's look to see, and maybe it's helpful
22 to also keep in mind Mr. Ricketts' isopach, Exhibit
23 No. 3, when we're dealing with the Anderson pool.

24 When we look at the three wells in the
25 Anderson, give us an engineering overview of what's

1 happened with the production in those pools in terms
2 of a sequence, and interrelate with us the pressures
3 that have occurred as each of those wells were
4 developed.

5 A. The earliest well in the Anderson field was
6 completed 10 of 54.

7 Q. And that would have been which well?

8 A. That would have been the well in the west
9 half of Section 18.

10 Q. That's 10 of 54?

11 A. Yes.

12 Q. What's the next well?

13 A. The next well was completed in March of 72,
14 and that's the well in the southeast corner of
15 Section 7.

16 Q. And the last well is the one in the
17 northwest of 19?

18 A. That's correct.

19 Q. When you look at the pressure information
20 available for those three wells, what conclusions do
21 you reach?

22 A. You reach the conclusion that the earliest
23 well had some drainage influence on the wells both to
24 the north and the south. It's a very large well with
25 an economic ultimate recovery of 18.7 Bcf. It

1 produced for 18 years before any offsets were
2 drilled.

3 The original bottom-hole pressure from the
4 scout ticket was 4950 pounds. The second well, as we
5 mentioned, in the south half of Section 7 had an
6 original bottom-hole pressure of 3087 pounds, which is
7 roughly 18- or 1900 pounds less. And the most recent
8 well, which was drilled in January of 88 or completed
9 then, had an original bottom-hole pressure of 1832
10 pounds as evidenced from the scout ticket, which again
11 indicated severe depletion.

12 It's not entirely surprising to see this,
13 considering the magnitude of reserves being recovered
14 by the well in Section 18.

15 Q. From the discovery well to the last well,
16 over a period of some 34 years, then, there is a
17 pressure loss to the last well of something in excess
18 of 3000 pounds?

19 A. Yes.

20 Q. What does that tell you as an engineer?

21 A. That tells me that the well in the west
22 half of Section 18 has a very large radius of
23 drainage, since the well in the north half of 19 is
24 more than a half-mile away.

25 Q. If you controlled the property and had the

1 opportunity to drill these wells now as opposed to
2 then and had to decide spacing now as opposed to the
3 spacing decided then, what would the spacing be?

4 A. The spacing would be 320 acres as opposed
5 to 160.

6 Q. Why?

7 A. It's apparent, from the spacing that these
8 wells are drilled on, that they will drain in excess
9 of 160 acres.

10 Q. We have one well in 54, one in 72 and the
11 last one in 88. What's your understanding of the
12 reason that the well was drilled in 88?

13 A. I would assume that the operator drilling
14 this well, felt there would be sufficient reservoir
15 pressure or lack of drainage to complete an economic
16 well at that location.

17 Q. Do you have an explanation as to why there
18 hasn't been more development in this particular Morrow
19 channel, when you look at Mr. Ricketts' geologic
20 display and you can see a nice Morrow channel
21 extending beyond where it was tested by these three
22 wells?

23 A. Well, I would presume that at least one
24 significant reason would be that the field rules
25 allowed for 160-acre development, which provides for,

1 in my estimation, unnecessary wells to be drilled in
2 that trend.

3 Q. What is the proposal of your company for
4 development of the Morrow sands within the area that's
5 currently subject to the Anderson-Penn pools?

6 A. We propose further development be done on
7 320-acre spacing.

8 Q. All right. When we turn to the Fren pool,
9 Mr. Lerwick, let's look for a moment at those three
10 wells. Let's start with the first well drilled among
11 those three. He tell us when it was drilled and your
12 understanding for the pressure for that well?

13 A. The first well drilled was the well located
14 in the northwest corner of Section 22 the original
15 pressure you for that well was 49 70 pounds and the
16 well was completed in February of 1954.

17 Q. The next well?

18 A. The next well was drilled in the South half
19 of Section 15. It was complete did in June of 54,
20 original bottom hole pressure was 4968 pounds. And
21 the final well was drilled in 9 of 54. It was in the
22 East half of Section 21, the original bottom hole
23 pressure was 4330 psi.

24 Q. What is the current status of those wells,
25 as best you understand them?

1 A. As stated earlier, all three wells have
2 been either recompleted to a shallower horizon or
3 temporarily abandoned.

4 Q. For the Anderson-Penn, those three wells,
5 what's the status of those wells now?

6 A. All three wells are still currently active.

7 Q. When we deal with the Fren pool, what do
8 your calculations show you on the appropriate spacing
9 for that pool?

10 A. In the Fren pool, two of the wells
11 indicate, from our volumetric calculation and drainage
12 radius, in excess of 160 acres, those two being the
13 south half of 15 and the east half of 21. The well in
14 the northwest quarter of Section 22 is slightly less
15 than 160-acre spacing.

16 Q. In retrospect, Mr. Lerwick, what would have
17 been the more appropriate spacing for the Fren pool?

18 A. In this case, again, the appropriate
19 spacing would have been 320-acre spacing as opposed to
20 160.

21 Q. As to both pools, do you have a
22 recommendation to the Examiner, based upon your study,
23 whether or not their current boundaries and the rules
24 that apply to those pools should be limited to the
25 current spacing units?

1 A. Yes, that would be my recommendation for
2 further development.

3 Q. What's accomplished if that is implemented
4 by the Examiner?

5 A. What's accomplished is that you can drill
6 wells on sufficiently large enough spacing to
7 economically justify the amount of reserves that you
8 can expect from those wells. If further wells are
9 drilled on 160-acre spacing, as this field develops as
10 we hope it will, the risk reserves are insufficient to
11 support continued development.

12 Q. Do you have any opinions why further
13 development in the Fren pool has not occurred in the
14 last 36 years?

15 A. In my opinion, the 160-acre spacing would
16 be a negative factor in people seeking to further
17 develop this field.

18 Q. Let me direct your attention now to what is
19 marked as Exhibit No. 5. Would you, first of all,
20 identify that display and then describe for us what
21 you've done?

22 A. Exhibit No. 5 is the drainage radius
23 calculation that shows the calculations that we made,
24 the engineering calculations and the method we used.

25 Q. And then the second page represents what?

1 A. The second page is simply a tabulation of
2 the data that we accumulated off of logs, scout
3 tickets, production sources, and the results that we
4 were able to calculate from that actual data used to
5 come up with the drainage radiuses and average
6 thicknesses and average porosities and average
7 reserves per completed well for this three-township
8 area.

9 Q. The wells shown with circles around them on
10 Exhibit No. 1, then, are found by looking at the
11 second page of Exhibit 5?

12 A. That's correct. You could find the
13 drainage area and/or the radius of drainage. You
14 could also find the initial reservoir pressures, all
15 of the data necessary to do those calculations and
16 build that map, Exhibit No. 1.

17 Q. When we look at the average values, then,
18 at the bottom of the second page of the display--

19 A. Yes, sir.

20 Q. --what does it show you?

21 A. I think the significant things that it
22 shows us on those averages are the average economic
23 ultimate recoveries from wells in this area, the
24 average drainage radius, and it also shows that there
25 are a significant number of wells, even in those

1 fields that were drilled on 320-acre spacing, that
2 will show pressure communication, one with another,
3 which supports that these wells are, indeed, draining
4 areas, for the most part at least, as large as
5 320-acre spacing.

6 Q. How many wells are on the tabulation of
7 page 2 of Exhibit 5?

8 A. 32.

9 Q. And the average ultimate recovery estimated
10 for each well is 3.2 Bcf?

11 A. That's correct.

12 Q. And the average area of drainage is 323
13 acres?

14 A. That's correct.

15 Q. What does that tell you about 160-acre gas
16 spacing?

17 A. What it tells us is if all of these fields
18 in here had been developed on 160-acre spacing, that
19 you would have expected ultimate recoveries to be 1.6
20 or maybe slightly larger for this area.

21 Q. If we're using 160-acre spacing or an
22 extension of those spacing patterns for further
23 development, then the average of all these wells would
24 be 1.5, 1.6 Bcf?

25 A. In that range, yes.

1 Q. Have you made an economic analysis to
2 determine whether operators today, for 1.6 Bcf of
3 likely reserves to be recovered within a 160-acre
4 spacing unit, that you can actively drill for gas
5 wells in this area?

6 A. I have, uh-huh.

7 Q. Let's turn to Exhibit No. 6. Is this your
8 analysis?

9 A. Yes. The first part are the assumptions
10 and parameters.

11 Q. Describe for us the assumptions and
12 parameters done in the economic analysis.

13 A. We used numbers that we use for drilling
14 wells in this area, and where we had to we made some
15 general assumptions, but all of them are valid.

16 Dry-hole costs to drill to the depth in
17 this area that we're talking about, which is an 11- to
18 12,000-foot range is \$431,000, completed well cost is
19 \$725,000. We made an assumption of 100 percent
20 working interest and a 75 percent net revenue interest
21 which are reasonable. Operating costs are about 1,500
22 a month. We used an in-house forecast of gas prices
23 which began with current prices and some modest
24 escalation; they're not held flat.

25 The start date of the economics we ran, we

1 made the assumption that a well would be drilled in
2 November of 90. The chance for a successful well is
3 40 percent, which is consistent with the number of
4 completions versus the number of wells drilled in this
5 three-township area. It's also consistent with the
6 average Morrow success in Eddy County as a whole.
7 And finally we put in a typical acreage cost of \$200
8 an acre.

9 Q. Having used those assumptions or parameters
10 in your economic analysis, have you displayed your
11 conclusions in the form of a graph?

12 A. Yes, I have.

13 Q. That's page 2 to Exhibit No. 6?

14 A. That's correct.

15 Q. Before you describe your conclusions, help
16 us understand how to read the display.

17 A. Okay. What we have here is what is
18 entitled a Morrow Drilling Economics Exhibit. On your
19 vertical scale we have titled it Risked AFIT Present
20 Value in Thousands of Dollars. That's risked after
21 federal income tax value in thousands of dollars. On
22 the bottom you see Unrisked Reserves Per Well as
23 billions of cubic feet or Bcf.

24 I want to back up and say also, these were
25 ran at the 40-percent chance of success in our

1 economics. This mean that you assume you spend 100
2 percent of your drilling cost, and 40 percent chance
3 you're going to complete it, so 40 percent of your
4 completion cost in your economic analysis.

5 Q. What's the basis for that percentage?

6 A. It's as I just described. That's the
7 actual number of wells completed in this
8 three-township area.

9 Q. Using that actual percentage of success for
10 a completed well in this area and applying your other
11 parameters, what does that tell you if you're looking
12 for reserves in the range of 3.2 billion, which is the
13 average for this area?

14 A. It tell you that you could drill at today's
15 gas prices and drilling costs and expect to make a
16 profit. In other words, to read this graph, if you
17 felt that your statistical reserves were 3 Bcf or
18 slightly greater, you can go over to 3 Bcf and read up
19 until you intersect the curve, read to the left, and
20 you could expect an after-tax profit on each well on
21 the order of \$200,000.

22 Q. And using your volumetric analysis from
23 Exhibit No. 5, the expectation, then, is about 3.2 Bcf
24 on an average using 320-gas spacing?

25 A. That's correct.

1 Q. If you cut your gas spacing to half, 160
2 acres, that would cut your unrisks reserves in half
3 as well?

4 A. Approximately.

5 Q. If we look on the bottom horizontal line of
6 the display and find the 1.5 Bcf and read vertically,
7 you're going to lose money, aren't you?

8 A. That's right. If these fields had been
9 drilled on 160-acre spacing at today's prices, it
10 would have been an uneconomic venture.

11 Q. Approximately \$200,000 lost per well?

12 A. Right. Maybe \$100,000 lost per well.

13 Q. Based upon your study, then, Mr. Lerwick,
14 what are your conclusions about whether or not the
15 Examiner should enter an order that confines the
16 currents limits of the Anderson and the Fren pools to
17 their existing spacing unit boundaries?

18 A. My opinion is that they should be confined
19 to the limits of their current spacing for those
20 pools, and further development should be done on
21 320-acre spacing.

22 Q. When we look at the spacing for the
23 Anderson-Penn, we have different spacing solutions in
24 the Morrow A channel that's displayed on Mr. Ricketts'
25 Exhibit 2, do we not?

1 A. That's correct.

2 Q. Within that Morrow channel we have the
3 Anderson on 160, but the Loco Hills South is on 320?

4 A. Yes, sir.

5 Q. Do you see any problems with making a
6 spacing change within a common channel based upon the
7 contiguous point at which those two spacing units
8 meet? You've got to have a spacing change?

9 A. That's correct.

10 Q. You've got to have a spacing change that
11 occurs in Section 12 which goes to 320 that is up
12 against the existing spacing units on 160. Is there a
13 problem in doing that?

14 A. In my opinion there's no significant
15 problems in doing that. It's already occurred in this
16 channel.

17 Q. Without the limitation or some solution, in
18 your opinion will it simply discourage your company
19 and others from drilling Section 12 or further
20 developing the Morrow A channel that's involved in
21 this area?

22 A. If they're left on--

23 Q. 160s?

24 A. --160s, yes, it would definitely discourage
25 us from further development in this channel.

1 Q. In the alternative, Mr. Lerwick, do you see
2 any engineering basis for forming an opinion that the
3 Fren or the Anderson-Penn pools ought to continue on
4 160-acre spacing?

5 A. Would you repeat that or restate it?

6 Q. Yes. As a reservoir engineer, do you see
7 any compelling reasons to keep the Anderson-Penn
8 itself within the boundaries of their proration units
9 on 160-acre spacing?

10 A. No. I don't see any compelling reason if
11 they should have to stay on 160-acre spacing.

12 Q. In fact, there are some of those better
13 wells in each of those pools that have developed
14 significantly more than 160 acres?

15 A. That have drained significantly more,
16 that's correct. In my opinion, that's correct.

17 Q. And in each of those two pools we see wells
18 on 160-acre spacing, one of which in each well is an
19 unnecessary well?

20 A. That's correct.

21 Q. So you have pressure interference occurring
22 between wells that are too close together?

23 A. That is correct.

24 Q. Anything else, Mr. Lerwick?

25 A. No, sir.

1 MR. KELLAHIN: That concludes my
2 examination of Mr. Lerwick. We move the introduction
3 of his Exhibits 5 and 6.

4 EXAMINER STOGNER: Any objection? Exhibits
5 5 and 6 will be admitted. Thank you, Mr. Kellahin.

6 Mr. Bruce, your witness.

7 EXAMINATION

8 BY MR. BRUCE:

9 Q. Mr. Lerwick, do I understand what you're
10 saying is that, looking at the Fren pool, that you
11 believe that the Fren should have originally been
12 developed on 320 acres?

13 A. That's correct. I do.

14 Q. Your testimony today would support 320-acre
15 spacing inside the Fren pool boundaries as well as
16 outside the pool boundaries?

17 A. Indeed it would.

18 Q. Looking at--well, you just testified as to
19 it. The Fren pool, you mentioned some original or
20 initial pressures on those wells, and the well in the
21 southeast quarter of Section 21, the pressure was
22 several hundred pounds lower than the initial pressure
23 in the other two wells, was it not?

24 A. Yes, it was.

25 Q. Would that indicate to you some drainage

1 from the other two wells?

2 A. It does indicate that there's a likelihood
3 that that well had suffered some drainage. All three
4 wells in this case were drilled in the same year, so
5 we didn't have the advantage of a greater pressure
6 differential as we did in the Anderson field, where
7 the wells were drilled 18 years apart. I still,
8 looking at the cross-sections and your isopachs, have
9 a strong suspicion that these three wells are in
10 communication with one another.

11 Q. If you could refer to, I believe it's Mr.
12 Ricketts' Exhibit No. 4, Pacific's location is in the
13 northeast quarter of Section 16, is that correct?

14 A. That's correct.

15 Q. But there is still conceivably some
16 potential for locations in sections, say, 15 through
17 21, based on this exhibit, is there not?

18 A. That's correct.

19 Q. So even though wells were drilled in
20 Sections 15 and 21, there could be some other
21 locations that maybe another operator would pick out
22 and choose to drill?

23 A. Yes. Based on my drainage calculations, I
24 think it would be very risky and probably apparent to
25 an operator that it wouldn't be advisable, but I don't

1 pretend to understand everyone's motivation for
2 drilling wells.

3 MR. BRUCE: I don't think I have anything
4 further, Mr. Examiner.

5 EXAMINER STOGNER: Thank you, Mr. Bruce.

6 EXAMINATION

7 BY HEARING EXAMINER:

8 Q. Let's refer to Exhibit No. 4. Of the three
9 wells that are in the Fren pool, which one of those
10 are present producing?

11 A. None of those three wells are presently
12 producing out of the Morrow.

13 Q. Now, this is a Fren-Pennsylvanian gas pool,
14 is it not?

15 A. Yes, the Morrow being a unit of the
16 Pennsylvanian.

17 Q. Are any of these three wells producing from
18 the Upper Pennsylvanian, anything above the Morrow?

19 A. Not within the Pennsylvanian.

20 Q. So they're not even producing in the
21 Pennsylvanian. All right. Are they plugged back to
22 some other formation or are they plugged and abandoned
23 altogether?

24 A. I believe that Mr. Ricketts in his
25 testimony indicated that two of the wells were plugged

1 to a Grayburg--

2 MR. RICKETTS: San Andres.

3 A. --San Andres, and the well in 15 is
4 temporarily abandoned and hasn't produced for years.

5 Q. On Exhibit No. 3, you went through the
6 chronological order of the different wells. Now, this
7 is for the Anderson-Pennsylvanian pool. A couple of
8 those wells are still producing, aren't they?

9 A. Yes.

10 Q. That would be the Great Western?

11 A. I'm sorry. I don't have the names on my--
12 Let me check the names.

13 MR. RICKETTS: That's correct.

14 Q. Exhibit No. 3. I'm looking at--

15 A. The one in Section 18 is.

16 MR. RICKETTS: All three of them are
17 currently producing.

18 A. All three of them are still producing.

19 Q. Where does Pacific Enterprises have their
20 interest? You're not an operator in either pool.
21 Where does your interest come in at?

22 A. Our interest comes in in that the leases
23 that we are proposing a well on, in 6 and 12 on this
24 Exhibit No. 3 are within one mile of an existing pool,
25 and I understand--and this may be more a question for

1 our land department--but I understand that under the
2 State rules that you would develop on the same spacing
3 as another field if it was within a mile of that
4 field.

5 EXAMINER STOGNER: Mr. Kellahin, is your
6 next witness going to go into that, or do you have
7 another witness?

8 MR. KELLAHIN: I have a landman that will
9 identify the ownership of the area, but I'm prepared
10 to discuss with you the fact, as Mr. Lerwick has
11 demonstrated, that we are within the one-mile current
12 rule for these pools and, therefore, subject to 160
13 spacing.

14 EXAMINER STOGNER: Okay. I don't have any
15 other questions of Mr. Lerwick at this time. You may
16 be excused.

17 Mr. Kellahin?

18 MR. KELLAHIN: Thank you. I would call Mr.
19 Craig Clark.

20 CRAIG CLARK

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

23 EXAMINATION

24 BY MR. KELLAHIN:

25 Q. Mr. Clark, would you please state your name

1 and occupation?

2 A. My name is Craig Clark. I'm a petroleum
3 landman.

4 Q. Mr. Clark, on prior occasions have you
5 testified before the Division?

6 A. Yes, I have.

7 Q. Pursuant to your employment as a landman
8 for Pacific Enterprises, have you made yourself
9 familiar with the current status of the working
10 interest owners in the section in which Pacific has an
11 interest as well as the adjoining sections?

12 A. Yes, I have.

13 MR. KELLAHIN: We tender Mr. Clark as an
14 expert petroleum landman.

15 EXAMINER STOGNER: Are there any
16 objections? Mr. Clark is so qualified.

17 Q. Mr. Clark, let me have you take, sir, the
18 Exhibit No. 7, which is your Square Lake Prospect and
19 I believe that relates to the Anderson-Penn pool area?

20 A. That's correct.

21 Q. When we look at Section 12, this is the
22 Section that Pacific proposes to develop on 320 gas
23 spacing?

24 A. That's correct.

25 Q. When we look in Section 7 for the producing

1 gas well that has been identified in prior displays in
2 the southeast quarter of Section 7, who is the
3 operator of that well?

4 A. Damson Oil Corporation.

5 Q. What is the balance of the working interest
6 in that section as you know it?

7 A. Damson owns approximately, except for the
8 80-acre tract in the southwest quarter, they own or
9 with their partners 100 percent in Section 7.
10 Phillips Petroleum Company, the west half/southwest is
11 part of the Grayburg Deep Unit and it encompasses the
12 south half of 12 in addition to Sections 13, 18 and
13 19.

14 Q. Okay. This display doesn't show it, but
15 can you identify for us what the unit is that you've
16 just described? You said it was the Grayburg Deep
17 Unit?

18 A. The Grayburg Deep Unit.

19 Q. Is that a unit that involves these Morrow
20 gas wells?

21 A. Yes, it involves two of the wells. The
22 Damson well in Section 7 is not part of the Grayburg
23 Deep Unit. The Grayburg Deep Unit, as you can tell on
24 the map, is what Phillips owns and, like I say,
25 Sections 12, 13, 23, 24 of 17/29, and then part of

1 Section 7, all of Section 18, and it's the west half
2 of Section 19.

3 Q. Under Phillips' unit operation of these
4 wells and these sections, will they have the
5 flexibility under unit operations to dedicate 160s or
6 320s or whatever gas spacing unit is ultimately
7 determined for this area?

8 A. Basically they are to dictate--all that
9 acreage is HBP'd by that unit by virtue of the initial
10 well in that unit, and so they were able to dictate
11 what the spacing was on it.

12 Q. Do you see any opportunity for the
13 impairment of Phillips' correlative rights or those
14 correlative rights of other offsetting interest
15 seating owners if spacing is frozen for those
16 nonstandard proration units on 160-acre spacing?

17 A. No, I do not.

18 Q. In the alternative, if the Examiner should
19 change the Anderson-Penn rules and require 320-gas
20 spacing for not only further development but for
21 existing current producing wells, does it appear to
22 you that each of the operators for those wells has the
23 ability to dedicate additional 160-acre spacing so
24 they could form a standard 320-spaced unit?

25 A. I believe they would be able to do so.

1 Q. Let's turn now to Exhibit No. 8. Do you
2 have that?

3 A. Yes.

4 Q. What does this show?

5 A. This is our land plat for the Fren area.
6 It shows Texaco Producing owns 100 percent, Sections
7 15, 21 and 22. This will only be the deep rights.
8 There is shallower production in there per. That is
9 why these leases are still HBP. As we're talking
10 about the Morrow formation, Texaco owns 100 percent of
11 those interests.

12 Q. Will that be true not only to the Morrow
13 but as to other Pennsylvanian-aged formations?

14 A. Yes.

15 Q. So when we look at each of these three gas
16 wells, two of which have been recompleted in other
17 formations and one has been TA'd for some 17 years,
18 then it would appear to you that Texaco has the
19 control of each of those three sections?

20 A. That is true.

21 Q. Do they do that under a lease arrangement
22 or some unit operation?

23 A. These are done on a lease basis for the
24 Morrow.

25 Q. So, within each section for each of these

1 wells, they would have the flexibility, then, to
2 change from 160 to 320?

3 A. Yes, they would.

4 Q. And correspondingly, their correlative
5 rights should not be adversely affected if their
6 spacing units are frozen on 160-gas spacing?

7 A. No.

8 MR. KELLAHIN: That concludes my
9 examination of Mr. Clark. We would move the
10 introduction of his Exhibits 7 and 8.

11 EXAMINER STOGNER: Exhibits 7 and 8 will be
12 admitted into evidence.

13 Mr. Bruce, your witness.

14 EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Clark, looking at Texaco's acreage
17 again, those are Sections 15, 21 and 22 whjich are all
18 federal leases are they not?

19 A. Yes, they are.

20 Q. So the royalty interests would remain the
21 same, would it not?

22 A. Yes, sir, it would.

23 Q. And is Section 16 State land?

24 A. Yes, it is.

25 MR. BRUCE: That's all I have, Mr.

1 Examiner.

2 EXAMINATION

3 BY EXAMINER STOGNER:

4 Q. In looking at Exhibit No. 8, the lease
5 numbers--these are federal leases, and Section 15 is
6 all one lease? That's that LC-029420A?

7 A. Yes, sir.

8 Q. But you don't know about what the
9 overriding royalties is, as Mr. Bruce mentioned
10 earlier?

11 A. They have an 80-percent net revenue
12 interest under that entire lease. It's noted on the
13 map. Texaco owns 100 percent of the working interest,
14 and the interest in parentheses is their net revenue
15 interest. All these leases, the base royalty--well,
16 for the federal lease the base royalty will be
17 one-eighth.

18 Q. And that would be common throughout all
19 three of the sections?

20 A. Yes, sir.

21 Q. Now, while I look at Exhibit 7, the
22 Dorchester, that's the Anderson #1, the one in the
23 south half of 7, that's dedicated to the southeast
24 quarter presently, is that correct?

25 A. That's correct.

1 EXAMINER STOGNER: Okay. Are there any
2 other questions of this witness?

3 MR. KELLAHIN: No, sir.

4 EXAMINER STOGNER: If not, he may be
5 excused.

6 Mr. Bruce, Mr. Kellahin, do either of you
7 have anything further in either one of these cases?

8 MR. KELLAHIN: That concludes my
9 evidentiary presentation in these two cases,
10 Mr. Stogner.

11 EXAMINER STOGNER: Mr. Bruce?

12 MR. BRUCE: I just have a brief statement I
13 would like to make.

14 EXAMINER STOGNER: I'll let you start; and
15 then, Mr. Kellahin, if you wish.

16 MR. BRUCE: As noted previously, Exxon is
17 interested only in Case 10069.

18 Exxon is here today, it does not object to
19 Pacific Enterprises' 320-acre spacing application so
20 long as the spacing in the Fren-Pennsylvanian pool is
21 also changed to 320-acre spacing. I believe it's
22 appropriate to change the entire area. We would point
23 out that we believe that there may be some problem
24 with protecting correlative rights if the State
25 acreage is changed, for instance in Section 16, if the

1 federal acreage is not changed in the offsetting
2 sections to the south and to the east. With that, I
3 have no further comments.

4 EXAMINER STOGNER: Is Exxon prepared to
5 come in with a case to that effect, Mr. Bruce?

6 MR. BRUCE: We have been speaking with
7 Pacific to that effect.

8 EXAMINER STOGNER: Are you going to be
9 filing one?

10 MR. BRUCE: If we need to, yes.

11 EXAMINER STOGNER: Okay. Mr. Kellahin?

12 MR. KELLAHIN: Mr. Examiner, as to the
13 Anderson case, we would request, in the absence of
14 objection and the basis of proof is there is
15 persuasive evidence before you that those wells ought
16 to be limited to their current spacing units, and that
17 in order to encourage further development, more
18 appropriate spacing units should be applied to the
19 Anderson pool, and therefore we would ask that you
20 enter an order at your earliest convenience limiting
21 the current 160 spacing to the outer boundaries of
22 each of those existing 160 units. It would free up,
23 then, all adjacent area for 320-gas spacing on
24 state-wide rules and, in effect, we're asking you to
25 delete that portion of the rule that applies to these

1 pools that would require spacing to be consistent
2 within a mile of the existing pool.

3 As to the Fren pool, you can see that in
4 looking at both the Anderson and the Fren we have
5 Morrow channels here for which different spacing
6 solutions have applied. We're not as concerned as
7 Exxon about having different spacing solutions apply
8 to the Morrow channel even when the spacing change is
9 contiguous with a spacing unit that's on 160 versus
10 320. We don't display the concern that they have that
11 in this immediate area you're dealing with two
12 different sets of rules.

13 However, as an accommodation to their
14 concern, we would propose, Mr. Examiner, that this
15 case be continued to the October 3rd hearing--this is
16 for the Fren pool--and that would allow us the
17 opportunity to file an amended application so that we
18 can plead in the alternative for the elimination of
19 160-acre gas spacing for the Fren pool and have this
20 entire area spaced on 320-gas spacing.

21 While we have notified Texaco and they have
22 failed to appear for the case today, the case today
23 simply involved limiting their spacing units to their
24 current limits and did not provide an opportunity to
25 Texaco to respond to the alternative solution of

1 eliminating spacing for that pool in each of those
2 wells.

3 We would seek permission to do that, and
4 for the Fren case, then, we would like to present our
5 proof to you today, amend the Complaint, and put it on
6 the docket for October 3rd so that it reflects that in
7 the absence of objection the case would be taken under
8 advisement at that time and the appropriate orders
9 entered by the Examiner.

10 EXAMINER STOGNER: That would be the matter
11 in Case 10069, is that correct?

12 MR. KELLAHIN: Yes, sir. And then 10068 is
13 ready to take under advisement at this point.

14 EXAMINER STOGNER: Let me see make sure I
15 get this straight. You're really not readvertising to
16 eliminate 160-acre spacing, you're readvertising to
17 bring this pool in line with the present state-wide
18 spacing rules and regulations as they apply now and
19 for this formation as they applied since 1964? You
20 can also say it like that, can't you?

21 MR. KELLAHIN: Yes, sir. As an alternative
22 remedy, so that we have before the Examiner at least a
23 procedure that will allow you to address Exxon's
24 concern, if you believe that to be the appropriate
25 solution. If you find that it's not the appropriate

1 solution, then you still have before you our initial
2 request to limit the spacing units as we had proposed.

3 EXAMINER STOGNER: And as far as the matter
4 of 10068, that will be taken under advisement at this
5 time?

6 MR. KELLAHIN: If you please.

7 EXAMINER STOGNER: Is there anything
8 further from anybody in Cases Nos. 10068 or 10069?

9 If not, Case No. 10068 will be taken under
10 advisement and Case No. 10069 will be continued and
11 readvertised for the hearing scheduled for October 3,
12 1990.

13 With that, let's take about a 20-minute
14 recess.

15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case Nos. 10068 and 10069
heard by me on 5 Sept. 1990.

20 Mahmud E. Stogner, Examiner
21 Oil Conservation Division
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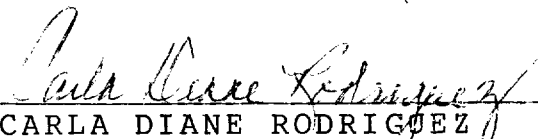
CERTIFICATE OF REPORTER

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) ss.
COUNTY OF SANTA FE)

I, Carla Diane Rodriguez, Certified
Shorthand Reporter and Notary Public, HEREBY CERTIFY
that the foregoing transcript of proceedings before
the Oil Conservation Division was reported by me; that
I caused my notes to be transcribed under my personal
supervision; 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 September 12,
1990.


CARLA DIANE RODRIGUEZ
CSR No. 91

My commission expires: May 25, 1991

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 CASE 10069

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EXAMINER HEARING

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9 IN THE MATTER OF:

10

11 Application of Pacific Enterprises Oil Company
12 (USA) to Limit the Rules Governing the
13 Fren-Pennsylvanian Gas Pool to its Present
14 Horizontal Boundary; Or, in the Alternative,
to Establish 320-Acre Spacing for Said Pool,
Eddy County, New Mexico.

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TRANSCRIPT OF PROCEEDINGS

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19 BEFORE: JIM MORROW, EXAMINER

20

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STATE LAND OFFICE BUILDING

22

SANTA FE, NEW MEXICO

23

October 3, 1990

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ORIGINAL

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A P P E A R A N C E S

FOR THE DIVISION:

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1 EXAMINER MORROW: Call Case 10069.

2 MR. STOVALL: Application of Pacific
3 Enterprises Oil Company, (USA) to limit the rules
4 governing the Fren-Pennsylvanian gas pool to its
5 present horizontal boundary or, in the alternative, to
6 establish 320-acre spacing for said pool, Eddy County,
7 New Mexico.

8 EXAMINER MORROW: Any appearances in this
9 case?

10 This case was heard earlier, and I believe
11 Exxon requested to amend their application. Is that
12 correct?

13 MR. BRUCE: Mr. Examiner, if I can, I
14 represent Exxon Corporation and this case was heard, I
15 believe, at the September 5th Examiner hearing.
16 Pacific Enterprises had proposed limiting the 160-acre
17 spacing for the Fren-Pennsylvanian Pool just to the
18 pool boundaries.

19 At that time Exxon appeared and did not
20 object to the case but also asked that in effect the
21 160-acre spacing be abolished for the
22 Fren-Pennsylvanian Pool itself, and everything in that
23 area be put on 320-acre spacing.

24 I think Pacific Enterprises subsequently
25 amended their application, and all the evidence was

1 put on in the September 5th hearing and I don't
2 believe there's anything further to present.

3 EXAMINER MORROW: We appreciate it, Mr.
4 Bruce.

5 This case will be taken under advisement.
6 (Thereupon, the proceedings concluded.)
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CERTIFICATE OF REPORTER

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

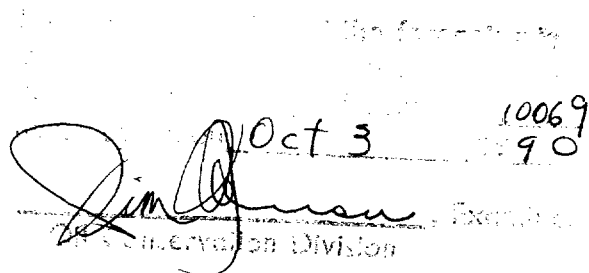
I, Carla Diane Rodriguez, Certified
Shorthand Reporter and Notary Public, HEREBY CERTIFY
that the foregoing transcript of proceedings before
the Oil Conservation Division was reported by me; that
I caused my notes to be transcribed under my personal
supervision; and that the foregoing is a true and
accurate 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 October 14, 1990.


CARLA DIANE RODRIGUEZ
CSR No. 91

My commission expires: May 25, 1991


Oil Conservation Division
10069
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