

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

22 November 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of OGS Operating Company, Inc. for compulsory pooling and an un-orthodox oil well location, Roosevelt County, New Mexico. CASE 9531

BEFORE: Michael E. Stogner, 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 the Applicant:	W. Thomas Kellahin Attorney at Law KELLAHIN, KELLAHIN & AUBREY P. O. Box 2265 Santa Fe, New Mexico 87504

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## I N D E X

## THOM O'BRIEN

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stogner 12

## MICHAEL GATES

Direct Examination by Mr. Kellahin 17

Cross Examination by Mr. Stogner 24

## E X H I B I T S

OGS Exhibit One, Packet of Exhibits 5

OGS Exhibit Two, Montage 18

OGS Exhibit Three, Notices 28

1 MR. STOGNER: We'll call next  
2 Case Number 9531.

3 MR. STOVALL: Application of  
4 OGS Operating Company, Inc. for compulsory pooling and an  
5 unorthodox oil well location, Roosevelt County, New Mexico.

6 MR. STOGNER: Call for appear-  
7 ances.

8 MR. KELLAHIN: Mr. Examiner,  
9 I'm Tom Kellahin of the Santa Fe law firm of Kellahin,  
10 Kellahin & Aubrey. I'm appearing on behalf of the appli-  
11 cant and I have two witnesses to be sworn.

12 MR. STOGNER: Are there any  
13 other appearances in this matter?

14 Will the witnesses please  
15 stand to be sworn?

16  
17 (Witnesses sworn.)

18  
19 THOM O'BRIEN  
20 being called as a witness and being duly sworn upon his  
21 oath, testified as follows, to-wit:

22  
23 DIRECT EXAMINATION

24 BY MR. KELLAHIN:

25 Q Mr. O'Brien, would you please state your

1 name and occupation?

2 A My name is Thom O'Brien, employed by OGS  
3 Operating Company.

4 Q In what capacity are you employed by  
5 that company?

6 A I'm a land manager and financial mana-  
7 ger.

8 Q Have you previously testified before the  
9 Division as a petroleum landman?

10 A Yes.

11 Q And pursuant to your employment by your  
12 company have you made a study of the land title information  
13 surrounding this spacing unit?

14 A Yes, I have.

15 Q And pursuant to your efforts and the  
16 efforts of others under your direction have you made an  
17 effort to consolidate on a voluntary basis all the owner-  
18 ship within the various spacing units involved for this  
19 well?

20 A Yes.

21 MR. KELLAHIN: We tender Mr.  
22 O'Brien as an expert petroleum landman.

23 MR. STOGNER: Mr. O'Brien is  
24 so qualified.

25 Q Mr. O'Brien, let's turn to your package

1 of exhibits.

2 MR. KELLAHIN: We have marked  
3 as Exhibit One all of the attachments to this --

4 MR. STOGNER: Go ahead.

5 MR. KELLAHIN: -- exhibit, Mr.  
6 Stogner. They are numbered starting with Page 1, and then  
7 they stop with the operating agreement that's at the end of  
8 the exhibit package.

9 Q Let me have you start, sir, with taking  
10 Exhibit Number One and identifying for Mr. Stogner the  
11 proposed spacing unit for the well.

12 A The proposed spacing unit for the well  
13 is the west half of Section 14, Township 8 South, Range 37  
14 East, in Roosevelt County, New Mexico.

15 Q And that is for the potential of drill-  
16 ling a gas well on 320-acre spacing for any such spaced gas  
17 reservoir?

18 A That's correct.

19 Q In the event that this is an oil well,  
20 have you determined what the 80-acre orientation will be  
21 for the -- for the well?

22 A In the even it's an oil well?

23 Q Uh-huh.

24 A It will be the north half of the north-  
25 west quarter of Section 14, a laydown 80.

1           Q           Do you know, Mr. O'Brien, what potential  
2 pools in the State of New Mexico your production would be  
3 allocated to for a well located here?

4           A           Bluett San Andres, I believe.

5           Q           When we look at the display and see the  
6 areas outlined, what's the significance of the yellow  
7 shaded area?

8           A           The yellow shaded area indicates lands  
9 which OGS has under lease.

10          Q           The area within the red outline of the  
11 west half of 14 that's not included in the yellow shaded  
12 area, what does that represent?

13          A           That is a Federal lease which is owned  
14 by Murphy Operating Company, Tom Ingram, the Wiser Oil Com-  
15 pany, and two other small interest owners.

16          Q           What is the current status of participa-  
17 tion by the owners in the Federal lease that's contained  
18 within the southwest quarter of Section 14 and the south  
19 half of the northwest quarter?

20          A           Murphy Operating Company has agreed to  
21 farm out. One of the small working interest owners, Mr.  
22 Sezinski (sic) has agreed to farm out. The Wiser Oil Com-  
23 pany has agreed to join in the cost of the well and a Dr.  
24 Latimer (sic), another small working interest owner, has  
25 agreed to join.

1           Q           Are there any of the parties owning a  
2 working interest share in the potential production from  
3 this well on this spacing unit in the Federal acreage that  
4 has not agreed to participate at this time?

5           A           Tom Ingram. He had agreed to farmout  
6 to us but we determined in the title examination that  
7 Halliburton has a judgment against his interest and there-  
8 for he is unable to execute the farmout agreement or get a  
9 release from the judgment.

10          Q           Other than Mr. Ingram's interest in that  
11 Federal lease, you have committed on a voluntary basis all  
12 the rest of the working interest.

13          A           That's right.

14          Q           What is Mr. Ingram's percentage interest  
15 in the spacing unit, Mr. O'Brien?

16          A           In the spacing unit, 1.13 and 3/4 per-  
17 cent. I'm not real certain of that number.

18          Q           He has an 18 percent interest in the  
19 Federal --

20          A           Right.

21          Q           -- portion of the spacing unit?

22          A           He has 75 percent of that.

23          Q           When we turn to the area shaded in  
24 yellow within the spacing unit, in other words, the north  
25 half of the northwest quarter --

1           A           Uh-huh.

2           Q           -- do you have a commitment from all the  
3 mineral and working interest owners in that area for this  
4 well?

5           A           All except for a very small 2 net acre  
6 interest owned by the A. J. Hammer Estate, which we were  
7 unable to locate.

8           Q           Let's go through now, at this point, Mr.  
9 O'Brien, your efforts to locate the Hammer interest owners  
10 and, Mr. Stogner, I refer you to what is marked as Page 5  
11 of the exhibit.

12                       Would you summarize for us, Mr. O'Brien,  
13 what have been your efforts of others in your behalf to  
14 find the Hammer interest owners?

15           A           In September, 1987, we first conducted  
16 our title check of the area and started taking leases from  
17 the fee mineral owners, and essentially what this is is  
18 contacts with other mineral owners under the same tract,  
19 asking for them if they have any information on the Hammer  
20 estate, and copies of letters we sent to the last known  
21 addresses for the Hammers, Hammer family, and contacts we  
22 had with the State Tax Assessor, collector's office, to see  
23 if they had any information on them, and all of our corres-  
24 pondence was returned undeliverable at the addresses we had  
25 or showed up in the county records. And none of the other



1 mineral interest owners in the same tract knew about them,  
2 or knew of them.

3 Q For a period in excess of a year, then  
4 you've attempted to locate the Hammer interest owners?

5 A Right.

6 Q Do you have an opinion as to whether or  
7 not you've exhausted all reasonable leads to locate these  
8 individuals?

9 A I think we've made every reasonable ef-  
10 fort.

11 Q You can't think of any other way to go  
12 about locating the Hammer interests that you've not pur-  
13 sued?

14 A No, I can't.

15 Q Pages 6, 7 and 8 represent efforts to  
16 contact the Hammer interests?

17 A That's correct.

18 Q What is page number 9?

19 A Page 9 is an AFE that we included in the  
20 -- with the letter dated March 11th that's page 7. We made  
21 an offer to lease their property or provided them with an  
22 AFE that they could join, and it was subsequently returned.

23 Q Is this the AFE that's been utilized and  
24 accepted by other working interest owners for the drilling  
25 of this well?

1 A Yes.

2 Q And how was it prepared?

3 A It was prepared by OGB Drilling, Inc.,  
4 which is a company that's owned by my father.

5 Q And he is a reservoir engineer that  
6 customarily does drilling AFE's?

7 A Yes.

8 Q Have you had any objection among any of  
9 the working interest owners to any of the costs on the AFE?

10 A No. In fact, it's been approved.

11 Q All right, sir, what do we find now on  
12 pages starting with page 10 of Exhibit Number One?

13 A Page 10, that's just a copy of the enve-  
14 lope that we sent certified, return receipt requested, to  
15 the last known address for the Hammer Estate, the heirs of  
16 the Hammer Estate.

17 Q And page 12 is the letter that was in-  
18 cluded in that envelope?

19 A Well, page 12 is an attempt we made to  
20 find out some new information on the Hammers. We just sent  
21 a letter to all of the mineral interest owners under the  
22 yellow acreage, yellow shaded acreage, on the plat, to ask  
23 them if they had any information on the Hammers at all.

24 We got no response.

25 Q Starting with page 13, then, what do we

1 find in the exhibit, Mr. O'Brien?

2 A This is correspondence relating to my  
3 efforts to obtain Mr. Tom Ingram's voluntary joinder or  
4 farmout in the proposed unit.

5 Q And as a result of the judgment against  
6 his interest, you are unable to obtain on a voluntary basis  
7 the commitment of his interest to the well?

8 A That's correct.

9 Q Let's turn now, sir, to page 20. The  
10 pages from page 13 up through 19 represent discussions with  
11 Mr. Ingram and correspondence with him?

12 A That's correct.

13 Q All right, on page 20 what do we find?

14 A This is a survey done in 1987 of over-  
15 head rates for drilling wells and producing wells done by  
16 Ernst and Whinney, and this is the -- I have it highlighted  
17 at the top, this is west Texas and eastern New Mexico for a  
18 well that we are proposing to do here.

19 Q Do you have a recommendation to the  
20 Examiner as to what overhead rates you would propose that  
21 he include in the pooling order?

22 A Yes, sir. Monthly producing well rate,  
23 \$300 per month per well. Monthly drilling well rates,  
24 \$3000 per month per well.

25 Q And what do we find commencing on page

1 22, Mr. O'Brien?

2 A This is the operating agreement which  
3 has been approved by all but Mr. Ingram.

4 MR. KELLAHIN: That concludes  
5 our direct examination of Mr. O'Brien, Mr. Stogner.

6 We'd move the introduction of  
7 his Exhibit Number One.

8 MR. STOGNER: Exhibit Number  
9 One will be admitted into evidence.

10

11

CROSS EXAMINATION

12 BY MR. STOGNER:

13 Q Mr. O'Brien, when was your contact with  
14 Mr. Ingram first initiated?

15 A I believe it would have been about a  
16 year ago in September.

17 Q Is that letter included?

18 A October 14th, 1987. Page 13.

19 Q Now what kind of correspondence did he  
20 respond to, this letter?

21 A Actually, they turned us down on this  
22 particular proposal, and --

23 Q And when was your next contact with Mr.  
24 Ingram?

25 A I would have been March the 11th, 1988.

1 Actually, I'd had several contacts with him between then by  
2 telephone and this one, and also I was talking to Murphy  
3 Operating Company at that time.

4 Q Now in March did Mr. Ingram agree to  
5 your particular --

6 A Yes, he agreed to farm out.

7 Q Then that's when you discovered that he  
8 had -- he didn't have the right to really agree to any-  
9 thing.

10 A Well, yes, subsequently that we did  
11 find that out.

12 Q And when did you all find out about Hal-  
13 liburton?

14 A When we got the title opinion done,  
15 which I believe was in September or October of this year.

16 Q And you've been in contact, I believe,  
17 with Halliburton direct, or --

18 A No, I have not been in contact with Hal-  
19 liburton direct.

20 I've been talking to Mr. Ingram.

21 Q Well, on page 19 a little note there  
22 that's scribbled on the lefthand page, lefthand side of the  
23 page, September 20th, '88, "Ingram has agent. He will  
24 contact Halliburton about judgment."

25 A Has agreement.

1 Q Okay.

2 A Yeah.

3 Q So he contacted you about his contact  
4 with Halliburton.

5 A Yes, sir.

6 Q Okay. Let's talk about the Hammer  
7 family.

8 A Okay.

9 Q Now how did you come about their Mis-  
10 souri address?

11 A It was in the records on a -- I don't  
12 remember what kind of an instrument it was on but there was  
13 an affidavit of heirship or something in there that -- that  
14 listed this address.

15 Q And how old was that address at that  
16 time?

17 A Oh, it was several years old. I don't  
18 know exactly.

19 Q And you got no leads with the Missouri  
20 address and then you discovered --

21 A An Illinois address.

22 Q And no luck there?

23 A No, sir. There is -- there was an affi-  
24 davit of heirship (sic) dated September the 7th, 1962.

25 Q Okay. Let's see, now, Mr. Ingram's in-

1 terest is only in Tract 2, as you show on page 3, which is  
2 Section 14, the south half of the northwest quarter and the  
3 southwest quarter, is that correct?

4 A That's correct.

5 Q Now, if this was an oil well, Mr. Ingram  
6 would not get any -- an interest in this proration unit,  
7 is that correct?

8 A That's correct.

9 Q What would his interest be in the 320  
10 spacing unit?

11 A 320 would be -- he has 18 percent of  
12 that Tract 2. His interest would be reduced to 75 percent  
13 of 18 percent, which is 13.5.

14 Q 13.5 percent of the 320. Now, how about  
15 the Hammer family?

16 A They have under Tract 1, which --

17 Q Which is Tract 1?

18 A It's the north half of the northwest  
19 quarter.

20 Q Okay, and if this was an oil well, what  
21 would their interest be?

22 A Their interest would be 1/160, or  
23 .00625.

24 Q And if it was a gas well on 320?

25 A That would be reduced by -- to 25 per-

1 cent of that.

2 Q Okay, 25 percent of .00625. And the  
3 total depth of your proposed well is 4650. That's shown on  
4 the AFE on page 9, is that correct?

5 A That's right.

6 Q And from that you derived from the  
7 Whitney --

8 A Ernst and Whinney?

9 Q Ernst and Whinney the 300 and 3000, is  
10 that correct?

11 A Yes, sir.

12 Q Okay.

13 MR. STOGNER: I have no fur-  
14 ther questions of Mr. O'Brien.

15 Are there any other questions  
16 of this witness?

17 MR. KELLAHIN: No, sir.

18 MR. STOGNER: He may be ex-  
19 cused.

20 MR. KELLAHIN: Mr. Stogner,  
21 we'd call at this time Mr. Michael Gates. He spells his  
22 last name G-A-T-E-S.

23

24

25



1                               MICHAEL GATES,  
2 being called as a witness and being duly sworn upon his  
3 oath, testified as follows, to-wit:

4  
5                               DIRECT EXAMINATION

6 BY MR. KELLAHIN:

7                   Q           Mr. Gates, would you please state your  
8 name and occupation?

9                   A           Mike Gates. I'm a geologist.

10                  Q           Mr. Gates, have you previously testified  
11 as a geologist for your company before the New Mexico Oil  
12 Conservation Division?

13                  A           Yes.

14                  Q           And pursuant to your employment as a  
15 geologist, have you made a study of the geology surrounding  
16 this particular well?

17                  A           Yes, sir.

18                               MR. KELLAHIN: We tender Mr.  
19 Gates as an expert petroleum geologist.

20                               MR. STOGNER: Mr. Gates is so  
21 qualified.

22                  Q           Mr. Gates, before we discuss the details  
23 of your opinions and conclusions, would you take a moment  
24 and simply show us your exhibit and how to read and under-  
25 stand the display?

1           A           Before you you have a montage. On the  
2 far left is a structure map of the San Andres formation.  
3 In the center is a production data map, which shows the  
4 cumulative and current production as of 3-1-88. It also  
5 shows current daily production, the productive interval,  
6 and the date of first production. That's in these little  
7 tabs next to each well.

8           Q           What is the primary formation that is  
9 the objective of this well?

10          A           The primary objectives are two porosity  
11 zones within the San Andres formation, the P-1 and the P-2.

12          Q           When we look at the San Andres formation  
13 have you identified for us wells in this area that produce  
14 from the San Andres formation?

15          A           Yes. They show the P-1 is the green.  
16 You can see a little key at the bottom of the production  
17 map. The green is the P-1 and the orange is the P-2.

18          Q           When we look for gas production below  
19 the top of the Wolfcamp formation, do we have that occur-  
20 ring in this immediate area?

21          A           Below the top of the Wolfcamp?

22          Q           Yes, Wolfcamp and below?

23          A           Yes.

24          Q           Pennsylvanian production?

25          A           There is some production to the north of

1 our area of interest.

2 Q Okay. The closest Wolfcamp production  
3 is to the north of your location?

4 A Right, it shows up in blue there.

5 Q Do you have a geologic opinion, Mr.  
6 Gates, as to what the risk factor penalty you would recom-  
7 mend Mr. Stogner include in this pooling order?

8 A Based on the -- there is some risk as to  
9 drainage. You can see the well that's immediately west of  
10 our acreage -- I mean immediately east. It shows it has  
11 produced 3/4 of a BCF and is currently inactive.

12 Based on the fact that that well is in-  
13 active and the P-1 is going to be somewhat drained, I  
14 recommend that we receive cost plus 200 percent.

15 Q Okay. Let's look specifically at the  
16 well control for the P-1 interval. Describe for us what  
17 specific wells do we find that help you control your struc-  
18 ture map for that potential production.

19 A I guess the two key wells that control  
20 the structure at our initial proposed location would be the  
21 Tom Ingram No. 1 Light, which is the first well on the B  
22 cross section, in Section 15, southeast quarter. That well  
23 penetrated the P-1 and the P-2. It's a good structural  
24 point there.

25 Q What is the current producing status of

1       that well?

2               A           It is producing 102 MCF a day.

3               Q           When we look clockwise, then, and move  
4 up through Section 15 to Section 10, what's your next con-  
5 trol for your well?

6               A           There's a well in the southeast corner  
7 of Section 10 that has been a very marginal producer. The  
8 trapping in here is stratigraphic and that well is at or  
9 near the limit of porosity and it's been a very marginal  
10 producer.

11              Q           And then as we move to the east we have  
12 the Nearburg well that you've described as having the po-  
13 tential to drain a certain portion of your spacing unit?

14              A           Yes.

15              Q           What's the current status of that well?

16              A           It's inactive.

17              Q           Okay, when did it last produce?

18              A           I believe it's been about a year and a  
19 half.

20              Q           And then as we move back around to the  
21 southeast we do not have any more control for your well  
22 until we move into Section 23?

23              A           Right.

24              Q           When you make a cross section of this  
25 particular area, Mr. Gates, what does it show you in terms

1 of the gross thickness of the reservoir through here?

2 A It's fairly consistent as far as gross  
3 thickness. From the logs we have it's difficult -- it's --  
4 the limiting factor is the anhydrite plugging within the  
5 reservoir and this occurs at the apex of the nosing feature  
6 in this area. As far as gross thickness it's fairly con-  
7 sistent in the P-1 and the P-2.

8 Q Okay, and what would that gross thick-  
9 ness be in footage?

10 A Approximately 25 feet in P-2 and about  
11 17 feet in P-1.

12 Q What, in your opinion, is the geologic  
13 limitation or the continuity of that reservoir as we move  
14 from wellbore to wellbore on the cross section?

15 A On the down dip wells they have very  
16 little anhydrite plugging; consequently, have good effec-  
17 tive porosity and permeability, but there is an oil/water  
18 contact.

19 And as you move up dip you begin to in-  
20 crease the anhydrite plugging, the permeability decreases,  
21 and eventually you lose the porosity altogether as you move  
22 to the apex.

23 Q Have you had an opportunity to approxi-  
24 mate where you believe the oil/water contact to be in this  
25 area?

1           A           Yes. I think it's at approximately  
2 negative 575 feet subsea depth on the San Andres gamma  
3 marker.

4           Q           Somewhere below the Ingram well in 15?

5           A           Right. It's at or near the oil/water  
6 contact in the P-2.

7           Q           As we project the risk down into those  
8 formations for the deep gas production below the top of the  
9 Wolfcamp, do you have any geologic information to show you  
10 the risk is other than the maximum 200 percent penalty?

11          A           No.

12          Q           The pool for the San Andres production  
13 is, Mr. O'Brien told us, the Bluett San Andres Associated  
14 Pool?

15          A           Right.

16          Q           What are the well location requirements  
17 for that pool, Mr. Gates, do you remember?

18          A           I believe it's 330 from the center of a  
19 quarter quarter for oil and I don't have the gas require-  
20 ments, but it's a similar -- I believe it's 990 from the  
21 nearest section boundary.

22          Q           Let me refresh your recollection. I  
23 think you had it just about right. Here's a copy of the  
24 Bluett San Andres Associated Pool rules.

25          A           Okay, for the gas wells, gas wells

1 should be located not closer than 990 to the quarter sec-  
2 tion line, nor closer than 330 to any quarter quarter  
3 section line.

4 Q Okay, and what do we do about the oil  
5 well location?

6 A Oil wells shall be located within 150  
7 feet of the center of the quarter quarter.

8 Q And what is your proposed location?

9 A 990 from the north and 990 from the west  
10 of Section 14.

11 Q Why have you chosen that particular  
12 specific location within the spacing unit to locate your  
13 well?

14 A It's the most advantageous as far as  
15 staying in the porosity fairway and yet above the oil/water  
16 contact.

17 Q Do you see any other location in the  
18 spacing unit that gives you this geologic advantage?

19 A Within the -- for oil, no.

20 Q So this is the optimum location for the  
21 oil?

22 A Yes.

23 Q Was Exhibit Number Two prepared by you  
24 or compiled under your direction and supervision, Mr.  
25 Gates?

1                   A           Yes.

2                               MR. KELLAHIN:   We move the  
3 introduction of his Exhibit Number Two.

4                               MR. STOGNER:   Exhibit Number  
5 Two will be admitted into evidence.

6                               MR. KELLAHIN:   That concludes  
7 my examination of Mr. Gates.

8

9                                       CROSS EXAMINATION

10 BY MR. STOGNER:

11                   Q           Mr. Gates, now the first map, that is  
12 the contour structure map on Exhibit Number Two, now you  
13 show some cross section lines. Are you not going to pre-  
14 sent cross sections today or --

15                   A           I have them with me if you'd like them.

16                   Q           They just pretty muchly go to corres-  
17 pond with what you're showing on that --

18                   A           Yes.

19                   Q           -- is that correct?   Okay. Let's go  
20 back to staying with this map. Let's look at that well on  
21 Section 15. That's the No. 1 well, I believe?

22                   A           Yes.

23                   Q           Is that an oil well or a gas well?

24                   A           It's a gas well. As you can see in the  
25 center production map that little tab that points to the



1 well indicates it made 90,000 cubic feet and zero barrels  
2 of condensate and it's first production was in '65 and it's  
3 now plugged and abandoned.

4 Q Was that a gas well or an oil well?

5 A Gas.

6 Q Gas. Okay. Let's go over to Section 14  
7 on the east half, the No. 2 Well. That's up in the north-  
8 east quarter. Was that a gas well or an oil well?

9 A Primarily gas; classified as a gas well.

10 Q Okay. Now again, what is Well No. 7  
11 depicting? That's in the southeast quarter of Section 14?

12 A Section 14, yes, that was a dry hole  
13 drilled by Nearburg and Ingram. They attempted to perfor-  
14 ate both the P-1 and the P-2. Apparently they had communi-  
15 cation behind pipe and it made significant amounts of water  
16 and they temporarily abandoned the well.

17 Q Okay, let's go up to Section number 11  
18 now and look at the well in the southeast quarter, the No.  
19 1 Well. Is it a gas well or an oil well?

20 A Gas.

21 Q So you're in an area that's pretty much  
22 surrounded by gas wells in that associated pool, is that  
23 correct?

24 A That's true. The oil wells occur on the  
25 east side of the feature.

1           Q           Over in Section 13 and 24 in your map  
2 here on page one?

3           A           Right, 12, 13 and 24, and we think  
4 that's what -- one of the things we're trying to do, is  
5 establish an oil reservoir on the west flank of the nose,  
6 just as they've done on the east flank.

7           Q           Now is this particular acreage in the  
8 Bluett San Andres Associated Pool boundary?

9           A           Yes.

10          Q           Do you know how this acreage came to be  
11 in that pool without a well actually being in it? Or do  
12 you have any idea?

13          A           The Ingram No. 1 Light in Section 15  
14 extended it to the east, I guess. That's what establishes  
15 our eastern -- or western boundary, and then we've got all  
16 those wells to the east there so we're pretty much in the  
17 middle of the field.

18          Q           Okay. But it being in the middle of  
19 this field you're still seeking 200 percent?

20          A           Well, due to the drainage factor, risk-  
21 wise you can see those wells are inactive or marginal--  
22 all the wells in Section 14, 15, 13, 12 and 11. In fact,  
23 every well on this map is marginal or plugged.

24          Q           At this time.

25          A           At this time, as far as the San Andres

1 that we're going for.

2 The only commercial producers are the  
3 Wolfcamp to the north on this particular map.

4 Q And those are the ones marked blue in  
5 your middle map --

6 A Right.

7 Q -- your production (unclear) map.

8 A Right, and it's not prospective under  
9 our acreage. We'll be way down dip to those wells.

10 Q Okay.

11 MR. STOGNER: I have no fur-  
12 ther questions of this witness.

13 Are there any other questions  
14 of Mr. Gates?

15 MR. KELLAHIN: No, sir.

16 MR. STOGNER: He may be ex-  
17 cused.

18 Do you have anything further,  
19 Mr. Kellahin?

20 MR. KELLAHIN: No, sir.

21 MR. STOGNER: Does anybody  
22 else have anything further in Case Number 9531?

23 MR. KELLAHIN: Excuse me, Mr.  
24 Examiner, I forgot to give you our additional notifica-  
25 tions. I've marked these as Exhibit Number Three. I'd

1 like to have those included in the record.

2 We also attempted without  
3 success to notify the Hammer Estate and then we provided  
4 notice to Mr. Ingram of the hearing today

5 MR. STOGNER: And this was  
6 sent out --

7 MR. KELLAHIN: On November  
8 1st, Mr. Examiner.

9 MR. STOGNER: Exhibit Number  
10 Three will be admitted into evidence.

11 If there is nothing further in  
12 Case Number 9531 it will be taken under advisement.

13

14 (Hearing concluded.)

15

16

17

18

19

20

21

22

23

24

25

## 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. 9531,  
heard by me on 22 Nov. 1988.  
Michael E. Hopper, Examiner  
Oil Conservation Division