

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 19 November 1986

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Mesa Grande Resources, Inc., for compulsory pooling, Rio Arriba County, New Mexico. CASE 9035

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12
13 BEFORE: David R. Catanach, Examiner

14
15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19 For the Division: Jeff Taylor
20 Attorney at Law
21 Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

22 For the Applicant:
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MR. CATANACH: Call next Case
9035.

MR. TAYLOR: Application of
Mesa Grande Resources for compulsory pooling, Rio Arriba
County, New Mexico.

I believe the applicant in this
case has moved that it be continued.

MR. CATANACH: Case 9035 will
be continued to the December 3rd hearing examiner docket.

(Hearing concluded.)

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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. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

3 December 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Mesa Grande Re-
sources, Inc., for compulsory
pooling, Rio Arriba County, New
Mexico.

CASE
9035

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
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Santa Fe, New Mexico 87501

For the Applicant:

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A P P E A R A N C E S

For Dugan Production,
Jerome P. McHugh, and
Kenai:

Karen Aubrey
Attorney at Law
KELLAHIN, KELLAHIN & AUBREY
P. O. Box 2265
Santa Fe, New Mexico 87501

For Floyd and Emma
Edwards:

Ernest L. Padilla
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Santa Fe, New Mexico 87504

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KATHLEEN A. MICHAEL

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ALAN EMMENDORFER

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MR. STOGNER: Call next Case
Number 9035.

MR. TAYLOR: Application of
Mesa Grande Resources, Incorporated, for compulsory pooling,
Rio Arriba County, New Mexico.

MR. STOGNER: Call for
appearances.

MR. HALL: Mr. Examiner, my
name is Scott Hall from the law firm of Campbell & Black of
Santa Fe, on behalf of the applicant, Mesa Grande.

We have two witnesses to be
sworn this morning.

MR. STOGNER: Are there any
other appearances?

MS. AUBREY: Mr. Examiner,
Karen Aubrey with the Santa Fe law firm of Kellahin,
Kellahin & Aubrey.

We represent Jerome P. McHugh,
Dugan Production Corporation, and Kenai Oil and Gas.

MR. PADILLA: Mr. Examiner,
Ernest L. Padilla, Santa Fe, New Mexico, for Floyd and Emma
Edwards. We make a limited appearance not to protest or to
invoke any questions regarding the differences between Mesa
Grande and other working interests in this proration unit.

1 Our appearance is merely for
2 the sake of preserving and not waiving any issues that are
3 in litigation between my clients and Jerome McHugh.

4 In other words, we don't have
5 anything to say with regard to this case one way or the
6 other, merely to preserve whatever rights we may have con-
7 cerning issues in litigation with Jerome McHugh.

8 MR. TAYLOR: Ernie, are the Ed-
9 wards the royalty owners?

10 MR. PADILLA: Yes, sir.

11 MR. TAYLOR: Does the case
12 that's in litigation include the acreage here or is it off-
13 setting the acreage, or just other acreage nearby?

14 MR. PADILLA: I believe it is
15 acreage included in this proration unit, and it may include
16 other acreage as well. It has a question to do with the or-
17 iginal pool rules.

18 MR. TAYLOR: Yeah, I'm aware of
19 it because we're a party to it. We'll just go ahead on it.
20 You really don't have any objection, then.

21 MR. PADILLA: As between the
22 working interest owners and whether or not who's going to
23 force pool each other in this case, we don't have any -- we
24 don't want to interject any say in that.

25 We have no witnesses.

1 MR. STOGNER: Are there any
2 other appearances?

3 Will the witnesses please stand
4 and be sworn at this time?

5

6 (Witnesses sworn.)

7

8 MR. TAYLOR: Karen, did you not
9 have witnesses?

10 MS. AUBREY: No, I don't have
11 witnesses.

12

13 KATHLEEN A. MICHAEL,
14 being called as a witness and being duly sworn upon her
15 oath, testified as follows, to-wit:

16

17 DIRECT EXAMINATION

18 BY MR. HALL:

19 Q For the record, please state your name.

20 A My name is Kathleen Michael.

21 Q And, Ms. Michaels, how are you employed
22 and in what capacity?

23 A I'm employed by Mesa Grande Resources,
24 Incorporated, as a landman.

25 Q Have you previously testified before the

1 Examiner and had your credentials made a matter of record?

2 A Yes, I have.

3 MR. HALL: Mr. Examiner, we
4 would tender Ms. Michael as a qualified expert witness.

5 MR. STOGNER: Ms. Michael is so
6 qualified.

7 Q Ms. Michael, are you familiar with the
8 application filed in this case?

9 A Yes, I am.

10 Q And are you familiar with the subject
11 lands?

12 A Yes, I am.

13 Q What is it that Mesa Grande seeks with
14 this application?

15 A We are seeking to pool all the working
16 interest and mineral interest under the east half of Section
17 20 for the drilling of a Gallup and Dakota well.

18 Q All right, have you prepared or directed
19 that certain exhibits be prepared in conjunction with this
20 case?

21 A Yes, I have.

22 Q All right, I'd ask you to refer to Exhi-
23 bit One and please indicate to the examiner what this exhi-
24 bit is intended to reflect.

25 A Exhibit Number One is a leasehold owner-

1 ship plat. It shows all of the leases that are in the east
2 half of Section 20. It shows the leasehold working interest
3 breakdown. It also shows the location of our proposed In-
4 truder well and the well working interest breakdown.

5 Q All right. Of the parties shown on the
6 ownership interest breakdown, which of these parties are you
7 seeking to pool here today?

8 A We're seeking to pool Kenai Oil and Gas.

9 Q Okay.

10 A And we're also seeking to pool the 25
11 percent mineral interest of Floyd Edwards.

12 Q All right. What is the primary objective
13 the proposed well?

14 A It will be drilled to the Gallup and Da-
15 kota formations.

16 Q All right. What percentage of the min-
17 erals are voluntarily committed to the well at this time?

18 A The percentage of working interest volun-
19 tary -- voluntarily committed is 93.75, and only the working
20 interest of Kenai Oil and Gas is uncommitted. Oh, excuse
21 me, and we have 87-1/2 percent voluntarily committed and 12-
22 1/2 percent interest of Kenai is uncommitted, and of mineral
23 interests we have 75 percent committed.

24 Q All right. Has Mesa Grande made any ef-
25 fort to secure the voluntary joinder of the heretofore un-

1 joined interest owners?

2 A Yes, we have.

3 Q Would you summarize those efforts,
4 please?

5 A Okay. Exhibit Two is -- are copies of
6 our letter dated June 17th, 1986, which we sent to all the
7 working interest owners, along with an AFE, and it outlines
8 the proposed well and requests voluntary joinder.

9 Exhibit Three is a letter of July 14th,
10 1986, with which we supplied the working interest owners a
11 revised AFE, which reflects lower costs for drilling of the
12 well and these will be reviewed by the next witness.

13 Q Let me ask you, did you direct that these
14 offer letters be sent out by Mesa Grande?

15 A Yes, I did.

16 Q Okay. I'll ask you to refer to Exhibit
17 Four and explain what that's intended to reflect.

18 A Okay. Exhibit Four is copies of the cer-
19 tified letters which were sent to all the working interest
20 owners and also to Floyd Edwards notifying them of this
21 hearing.

22 Q Does Exhibit Four also contain copies of
23 the return receipts?

24 A Yes, it does.

25 Q Did you direct your attorneys to send out

1 these notice letters?

2 A Yes, I did.

3 Q And these give notice of a hearing, is
4 that correct?

5 A That's right.

6 Q Ms. Michael, in your opinion will the
7 granting of this application be in the best interest of
8 conservation, the prevention of waste, and protection of
9 correlative rights?

10 A Yes.

11 Q Were Exhibits One through Four prepared
12 by you or at your direction?

13 A Yes, they were.

14 Q All right.

15 MR. HALL: That concludes my
16 direct of Ms. Michael.

17 MR. STOGNER: Exhibits One
18 through Four will be admitted into evidence at this time.

19

20 CROSS EXAMINATION

21 BY MR. STOGNER:

22 Q Ms. Michael, who owns the 75 percent
23 mineral interest that is already committed here?

24 A The northeast quarter of Section 20 and
25 the northeast southeast of Section 20 are Federal or

1 included in a Federal lease, so those minerals are owned by
2 Bureau of Land Management, and the northwest quarter of the
3 southeast quarter is a fee lease also, and it's owned by Mr.
4 Post.

5 Q And it's only the acreage belonging to
6 Mr. Edwards, which appears to be the south half of the --

7 A South half of the southeast quarter, yes.
8 And the reason that we're seeking to pool those minerals,
9 they are subject to an oil and gas lease which does contain
10 a pooling clause; however, Mr. Edwards has filed a suit
11 against the lessees who own that lease for cancellation of
12 that lease. So we would like to pool those interests in
13 case that lease is cancelled.

14 Q Who is the holder of that lease, then?

15 A Kenai Oil and Gas owns 50 percent; Jerome
16 McHugh, 37-1/2 percent; and Dugan Production 12-1/2 percent.

17 Q When was Mr. Edwards contacted?

18 A Mr. Edwards was notified by letter Novem-
19 ber 12th, 1986.

20 Q Did he get the same letter as your Exhi-
21 bit Number Four?

22 A Yes.

23 Q And that's a Mr. Floyd Edwards in Apache
24 Junction, Arizona?

25 A That's correct.

1 Q According to my copy I show it was
2 delivered but I don't see a signature on it. Have you been
3 in contact with him over the phone?

4 A No, I haven't.

5 Q Is this patented lands?

6 A Yes.

7 Q And the mineral interest was turned over
8 in those -- with those patented lands?

9 A Yes.

10 Q To the homesteaders or -- are you aware
11 if Mr. Edwards has ever been approached before for his right
12 or minerals?

13 A Well, we're not asking Mr. Edwards to
14 participate in any cost of the well at this point.

15 Q Uh-huh.

16 A We just wanted to be sure that those
17 minerals would be included in the pooled spacing unit in
18 case the lease is cancelled at a later time.

19 MR. STOGNER: I have no further
20 questions of Ms. Michaels.

21 Are there any other questions
22 of this witness?

23 If not, she may be excused.

24 Mr. Hall.

25 MR. HALL: Call Mr. Alan Emmen-

1 dorfer.

2

3

ALAN EMMENDORFER,

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

6

7

DIRECT EXAMINATION

8

BY MR. HALL:

9

A For the record please state your name.

10

A My name is Alan Emmendorfer.

11

Q And where do you live?

12

A Broken Arrow, Oklahoma.

13

Q By whom are you employed and in what cap-

14 acity?

15

A I'm employed by Mesa Grande Resources as

16

petroleum geologist.

17

Q Have you previously testified before the

18

Examiner and had your credentials made a matter of record?

19

A Yes, I have.

20

MR. HALL: At this time, Mr.

21

Examiner, we would tender Mr. Emmendorfer as a qualified ex-

22

pert geologist.

23

MR. STOGNER: Mr. Emmendorfer

24

is so qualified.

25

Q Mr. Emmendorfer, are you familiar with

1 the instant application?

2 A Yes, I am.

3 Q And are you also familiar with the sub-
4 ject lands?

5 A Yes, I am.

6 Q If you would, I'd like you to refer to
7 Exhibit Three and the attachment to Exhibit Three. What is
8 that?

9 A That's the AFE for the proposed well.

10 Q All right, would you review the totals
11 shown on that AFE, please?

12 A Yes. On the AFE we have a dry hole cost
13 of \$208,784 and if completed the total estimated well costs
14 is AFE'd for \$524,852.

15 Q Mr. Emmendorfer, are you familiar with
16 what other operators are charging in the area for similar
17 wells?

18 A Yes, I am.

19 Q Are the costs shown on the revised AFE in
20 line with what's being charged in the area?

21 A Yes, they are. For other operators in
22 the area we have a low of about \$450,000 up to a high of
23 \$620,000, and we're below the median AFE for the area.

24 Q Okay, does Mesa Grande operate other
25 wells in the area?

1 A Yes, we have eleven other wells that we
2 currently operate.

3 Q Okay. Have you drilled others in addi-
4 tion to the wells you're operating?

5 A Yes. Well, part of those eleven wells we
6 drilled ourselves and operate.

7 Q Are you prepared to make a recommendation
8 to the Examiner as to the risk penalty that should be asses-
9 sed against the nonconsenting interest owners?

10 A Yes, I am.

11 Q And what is that?

12 A 200 percent.

13 Q Upon what do you base that recommenda-
14 tion?

15 A Several -- several items.

16 I'd like to refer to Exhibit Number Five
17 and this exhibit shows the east half of 20 and the current
18 drainage scenario that is occurring in the area. The wells
19 producing out of the Gavilan Mancos Pool and they're spaced
20 on 320 acres, and I've drafted in there 320-acre drainage
21 radius circles and as shown, we're severely, from this scen-
22 ario, severely being drained in the north half of Section 20
23 by several wells, offsetting wells.

24 Q Let me ask you what -- is the well pro-
25 posed to be drilled at a standard location?

1 A Yes, it is. The footage is 1785 from the
2 south line, 855 feet from the east line.

3 Q Okay. Let's refer to Exhibit Six now.
4 What is that exhibit intended to reflect?

5 A This is a structure map of the immediate
6 area and it is mapped on the top of the Gallup or Niobrara A
7 Zone, which is a common mapping horizon for the Gavilan-Man-
8 cos Pool and other pools in the surrounding area, and this
9 shows the structural configuration at that horizon and the
10 relationship of the proposed well to the structure.

11 As we can see in the northeast portion of
12 the map in 25 and 2 the contour lines are evenly spaced as
13 they are in the southeastern portion of the map in 25 and 2;
14 however, as we get into the east half of Section 20, the
15 structural dip changes and this could pose a problem as to
16 intercepting a fracture system that is necessary for a com-
17 mercial well in the pool.

18 Q All right, let's refer to Exhibit Seven,
19 if you would, please.

20 A Exhibit Number Seven is a structural
21 cross section with the structural -- the trace of this cross
22 section located back on Exhibit Number Six. There is a
23 drafting error on the cross section. The farthest right
24 well, the McHugh Full Sail, it is noted as No. 12. It is
25 actually the No. 2. It's -- other than that the cross sec-

1 tion is correct, and this just further substantiates the
2 structural position here, showing that the general flatten-
3 ing out of the producing horizon within the location of the
4 Intruder -- the proposed Intruder No. 1 Well that we want to
5 drill.

6 Q So do you believe that there are some
7 risks that the Intruder No. 1 if completed at this location
8 may not be a commercial success?

9 A Yes, I do. The Gavilan-Mancos Pool is
10 produced mainly from fractures and it is the connecting of
11 these fractures to the wellbore that enables the production
12 of a commercially productive well. There are -- there are
13 risks of not intercepting enough of these natural fractures
14 to get commercial production. Also we have lost circulation
15 problems that ourselves and other operators have experienced
16 in offsetting wells; lost circulation both up hole and in
17 the productive horizon and in the -- below the productive
18 horizon.

19 We hope to get some amount of lost circu-
20 lation in the Gavilan-Mancos interval to provide us with a
21 commercial well, however, you can lose thousands of barrels
22 of mud and this can actually work against you as to give
23 formation damage and plug up the fracture system and even
24 though you've penetrated the fracture system you can then
25 again not have a commercial well because of wellbore damage.

1 Q All right. Do you have an estimate as to
2 what the appropriate overhead and administrative costs might
3 be for drilling and operating the well?

4 A Yes, \$3500 a month for drilling and \$500
5 a month for operating.

6 Q Are those costs in line with what's being
7 charged in the area by other operators?

8 A Yes, it is.

9 Q Do you recommend that those cost figures
10 be incorporated into an order that results from this hear-
11 ing?

12 A Yes.

13 Q Does Mesa Grande seek to be designated
14 operator of this well?

15 A Yes, we do.

16 Q In your opinion will the granting of this
17 application be in the best interest of conservation, the
18 protection of correlative rights, and prevention of waste?

19 A Yes.

20 Q Were Exhibits Five through Seven prepared
21 by you or at your direction?

22 A Yes, they were.

23 MR. HALL: We'd tender Exhibits
24 Five through Seven.

25 MR. STOGNER: Exhibits Five

1 through Seven will be admitted into evidence.

2 MR. HALL: I have nothing fur-
3 ther of this witness.

4

5 CROSS EXAMINATION

6 BY MR. STOGNER:

7 Q Mr. Emmendorfer, let's look at, --

8 MR. STOGNER: First of all, Ms.
9 Aubrey, do you have any questions?

10 MS. AUBREY: No, I don't, Your
11 Honor.

12 MR. STOGNER: Well, thank you.

13 MS. AUBREY: Sure.

14 MR. STOGNER: Mr. Padilla, do
15 you have any questions?

16 MR. PADILLA: No questions,
17 Mr. Examiner.

18 Q Mr. Emmendorfer, in looking at Exhibit
19 Number Five, I'm looking at the four immediate wells that
20 are offsetting this proposed well.

21 That's the two McHugh wells or the --
22 well, they're all McHugh wells, the Loddy No. 1, the Janet
23 No. 3, ET No. 1, and the Full Sail No. 3, those are all
24 presently producing, are they not?

25 A As far as I know they're either producing

1 or will be producing at any time based on pipeline hook-up,
2 but I believe they all are producing.

3 Q Do you know roughly when these were
4 drilled or started producing or capable of producing?

5 A I don't know the exact dates. I think
6 the ET No. 1 was drilled in '84, and I don't know for sure.

7 The Loddy No. 1 was in either late '84 or
8 very early '85.

9 The Janet No. 3 was drilled, I believe,
10 in late '85, and I'm not for certain on that.

11 And I'm not aware of when the Full Sail
12 No. 3 was drilled.

13 Q Now you mentioned something about one of
14 the reasons for a successful well in this area is to
15 intercept one of these fractures. All of those four wells
16 are surrounding you. Did they have some sort of stimulation
17 to help intersect these fractures?

18 A Yes, that's common practice in the area,
19 is to frac the wells.

20 Q Okay. So making the well come down on a
21 fracture is not one of the criteria in drilling a well in
22 this area.

23 A Yes and no. You don't -- one fracture
24 does not make a commercial well. You really need the major
25 fracture trend and fracture system. I believe that there's

1 probably small fractures throughout the area; however, tying
2 into the main fracture system, that's the -- that's the hard
3 part.

4 Q Okay. So you're basically surrounded by
5 wells that are intercepting these zones, obviously, and
6 they're producing on all four sides of you.

7 A Yes, at variable rates. Some are good
8 producers and some are average and some are poor.

9 Q Well, which ones are which?

10 A Brown No. 1 is an average producer for
11 the field.

12 The Loddy No. 1 I'm not familiar with be-
13 cause it's pretty much a brand new well.

14 I believe the ET No. 1 is an average
15 well, and I think the Full Sail No. 3 is on the low side of
16 the producing, average producing wells in the area.

17 Q But they're all commercial, are they not?

18 A I guess they are to Mr. McHugh.

19 Q Would they be for Mesa Grande?

20 A I don't know, depending on their cost and
21 what he has estimated for the year. The reserves for some
22 of those wells based on the price, it would depend on each
23 individual well's economics.

24 Q We can probably pretty much assume that
25 they are economical since McHugh considers them economical.

1 And you're right here in the middle of
2 them.

3 A Well, I might say that within the
4 Gavilan-Mancos Pool there are wells that are very good pro-
5 ducers and there's wells that are directly offsetting, even
6 though they're spaced on 320 some of them are in effect 160-
7 acre offsets and they're very poor producers; some of them
8 will not pay out.

9 Q Are any of these wells like that that you
10 described on this map on Exhibit Six, that had to be plugged
11 and abandoned that didn't pay out, or --

12 A Well, none of the wells in the field have
13 yet been plugged and abandoned. Some of them I'm aware of
14 had the -- have had the pumps pulled off and moved to other
15 leases that they're more commercial.

16 But of the wells located in the Gavilan-
17 Mancos Pool on this map, I believe all of them are commer-
18 cial.

19 Q Are there any unique situations or prob-
20 lems arised in drilling in this area?

21 A The lost circulation that I alluded to
22 earlier is -- can be severe and it can cost the operator a
23 lot both in drilling cost and in ultimate production. You
24 can have lost circulation from out of surface casing to TD
25 in any of the formations, and when you do experience lost

1 circulation it usually runs the risk of sticking pipe and if
2 not handled properly or stuck severely, you could run the
3 risk of losing the hole and likewise, I mention that if you
4 lose a lot of circulation within the productive interval,
5 you run the risk of causing severe reservoir damage and you
6 will not come up with a producing well, commercially produc-
7 tive well.

8 Q Are you familiar with any wells that have
9 been drilled in this area that have had that problem where
10 they had to be plugged and abandoned or --

11 A Well, not on this map, but in 25, 2, and
12 inside the Gavilan-Mancos Pool, Southland Royalty drilled
13 the Hill Federal 2 and had to -- lost some pipe in the hole
14 and had to skid it to drill the Hill Federal 2-Y.

15 Section 15 in the southeast quarter, the
16 Reading and Bates well, which is on this map, is known as
17 the most expensive well to date in the area. They had
18 severe lost circulation problems and spent a lot of money
19 trying to correct that and we don't know what the production
20 is on that yet. It has not been first delivered, that I'm
21 aware of.

22 MR. STOGNER: Are there any
23 other questions of this witness?

24 MR. CHAVEZ: Mr. Examiner.

25 MR. STOGNER: Mr. Chavez.

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QUESTIONS BY MR. CHAVEZ:

Q Mr. Emmendorfer, what is the geologic risk in this location for this well? Is it very risky geologically?

A Well, the hard thing is these fractures are had to quantify from well logs and we have a hard time picking from after the well is drilled where the fractures are actually located within the wellbore and likewise, we have much harder time trying to predict before we drill a well as to where these fractures may be located in productive horizon.

The structure map is used to show the dip in the area and like I mentioned earlier in my testimony, that especially in the south half of 20 the change of dip shows that it's flattening out in the area and there is a possibility of not intersecting as many fractures.

Q Well, does that make it higher risk than any of the other wells surrounding it?

A I don't know if they're any higher risk or not. They're all high risk because of the fact that you never know if you're going to intersect a fracture system until you drill, complete, and start producing the well.

Q So there's no more risk in this well than there is in the wells that are drilled around it?

1 A Probably not, no.

2 Q Mr. Emmendorfer, if this hole was lost,
3 like Southland Royalty lost their well, would it be re-
4 drilled?

5 A I think we would need to (unclear) of a
6 drainage scenario from the offsetting wells. I think we
7 would have to re-drill the well. I assume you meant lost in
8 their respect in that they stuck pipe and had to -- never
9 were able to complete the -- the well, is that correct?

10 Q That's correct.

11 A I believe we would have to try to re-
12 drill the well.

13 Q Do you mean that this well doesn't take
14 any more risk than perhaps the other wells around it, don't,
15 under your AFE, don't you include some of that risk in there
16 as far as concerns the mud costs and other costs for drill-
17 ling?

18 A Yes, we do to some extent, but that's as-
19 suming that everybody is paying their -- their fair share.
20 If we have to carry someone else's interest, then we are
21 taking additional risk and the 200 percent that we're asking
22 for today has been granted to Mesa Grande in other wells in
23 the area and to other operators that have drilled wells in
24 the area, also.

25 Q Well, would you call this well an edge

1 well in the pool, as some of the other wells that have been
2 granted 200 percent penalty were?

3 A The -- some of the wells that we drilled,
4 or we have gotten the 200 percent penalty are surrounded by
5 producing wells also.

6 Q How many wells has Mesa Grande drilled in
7 this pool?

8 A Six, I believe, is the current number,
9 six or seven.

10 Q With that amount of experience do you
11 think that perhaps Mesa Grande may have a little more con-
12 trol over lost circulation problems and these other types of
13 technical problems that occur in drilling these wells?

14 A Well, we -- we always try to learn some-
15 thing from every hole that we drill, but each hole is an in-
16 dividual well. They're different and you can see that in
17 all the other wells. Some wells have very minor amounts of
18 lost circulation and some have massive quantities of mud
19 loss.

20 MR. CHAVEZ: That's all the
21 questions I have.

22 MR. STOGNER: Are there any
23 other questions of this witness?

24 If not, he may be excused.

25 Mr. Hall, do you have anything

1 further?

2 MR. HALL: We have nothing fur-
3 ther.

4 MR. STOGNER: Ms. Aubrey, do
5 you have anything further in this case?

6 MS. AUBREY: No, sir.

7 MR. STOGNER: Mr. Padilla?

8 MR. PADILLA: (Inaudible).

9 MR. STOGNER: Does anybody else
10 have anything further in Case Number 9035?

11 If not, this case will be taken
12 under advisement.

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14 (Hearing concluded.)

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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 final hearing of Case No. 9035, heard by me on 3 December 1986.

Michael R. Stagner, Examiner
Oil Conservation Division