

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 13,267

APPLICATION OF CHESAPEAKE OPERATING,)
INC., FOR AN UNORTHODOX GAS WELL)
LOCATION AND TO TERMINATE ORDER)
R-11,432-A, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

June 10th, 2004

Santa Fe, New Mexico

2004 JUN 24 AM 10 17

J. J. Jones
6/24/04

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, June 10th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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June 10th, 2004
 Examiner Hearing
 CASE NO. 13,267

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
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P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR YATES PETROLEUM CORPORATION:

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

* * *

ALSO PRESENT:

MARK FESMIRE
Director, Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:21 a.m.:

3 EXAMINER JONES: And let's call Case 13,267,
4 Application of Chesapeake Operating for an unorthodox gas
5 well location and to terminate Order R-11,432-A, Lea
6 County, New Mexico.

7 Call for appearances.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 on behalf of the Applicant, and I have one witness to be
11 sworn.

12 EXAMINER JONES: Any other appearances?

13 MR. CARR: May it please the Examiner, my name is
14 William F. Carr with the Santa Fe office of Holland and
15 Hart, L.L.P. We represent Yates Petroleum Corporation in
16 this matter. I do not have a witness.

17 EXAMINER JONES: Will the witness please stand to
18 be sworn?

19 (Thereupon, the witness was sworn.)

20 MR. KELLAHIN: Examiner Jones, we're ready to
21 proceed. My engineering witness, Andrew McCalmont, and I
22 would like to make a presentation to you on this case.

23 At the conclusion I'm going to ask you to
24 continue it and let us readvertise it. The Application as
25 presented to you asks you to terminate Order R-11,432-A.

1 My original information was such that I believe that we
2 didn't need it.

3 As a result of visiting with Mr. McCalmont last
4 night, I realized that that's in error and what we're going
5 to want to show you is that we're going to substitute the
6 Boyce 15-5 well for the Boyce 15-1, which would leave us in
7 a situation where the Boyce 15-3 would continue to produce
8 from the Brunson interval of the lower Atoka and allow
9 Chesapeake to produce the Boyce 15-5 in the upper portion
10 of the Atoka for this pool.

11 There's a history to this that is partly
12 explained by a couple of orders that I will provide you
13 now. Those orders -- the first one was issued by Examiner
14 Catanach in September of year 2000. It's Order R-11,460,
15 in which Chesapeake sought to create a Brunson pool and
16 subdivide the Atoka.

17 Mr. Catanach decided to deny that. Instead, he
18 invited Chesapeake to file for simultaneous dedication of
19 the east half of Section 15, with an exception where we
20 would have two Atoka wells in the northeast quarter of that
21 spacing unit, and recognizing that the science was that the
22 Number 3 was producing out of the Brunson while at that
23 time the Number 1 was the upper Atoka.

24 In the meantime, the Number 1 has been depleted
25 in the Atoka and is now a Wolfcamp oil well. The Number 3,

1 I mistakenly thought, was now a Townsend-Morrow. In fact,
2 what happened is, it went from a Townsend-Morrow to a
3 Brunson well, and still produces from the Brunson.

4 EXAMINER JONES: Atoka.

5 MR. KELLAHIN: I'm sorry, from the Atoka. So I
6 need to keep my R order.

7 EXAMINER JONES: Okay.

8 MR. KELLAHIN: The location is approved for that
9 well by previous orders.

10 In the Boyce 5, that originally was permitted as
11 a Strawn oil well, and it was Chesapeake's decision to go
12 ahead and test the Atoka. And after they got there, they
13 filed notices with the Division in Hobbs, seeking approval
14 of the Atoka, and were advised and then recognized that
15 they were at an unorthodox location for the Atoka, and
16 that's why we're here today, to straighten that out.

17 Here are the R orders I referred to, so that you
18 have those in front of you.

19 EXAMINER JONES: Okay, thanks.

20 MR. KELLAHIN: We'll go through this again with
21 Mr. McCalmont and talk to you about the sequence and what's
22 occurred.

23 In addition, I have shown Chesapeake's cross-
24 sections to Mr. Carr, and he shared them with his client
25 Yates. Yates has control of the east half of 10, just to

1 the north. And the Atoka well that we now seek permission
2 from encroaches on Yates.

3 They have requested -- and you can see it on
4 Exhibit Number 1. If you look in Unit Letter P down there
5 in the extreme southeast southeast of 10, you can see the
6 Big Flat Number 2.

7 Mr. Carr and I have agreed that Yates will
8 withdraw any objection to the five in the Atoka, and
9 Chesapeake will not oppose Yates if it seeks to deepen the
10 Big Flat 2 and test the Atoka. So we'll mutually trade --
11 exchange waivers.

12 EXAMINER JONES: From the same zone, same zone?

13 MR. KELLAHIN: Same zone, yes, same zone. What
14 we're dealing with is the upper Atoka, and we're talking
15 about the Number 3 and the Number 5.

16 With your permission, Mr. Jones, we're going to
17 present two exhibits. One is the locator map with the well
18 on it, Exhibit 1.

19 And then we're going to show you a cross-section
20 that you can see the reservoir relationship of the
21 completions in this area so that you can have a visual
22 picture of what Chesapeake is asking you to approve.

23 EXAMINER JONES: Okay.

24 MR. KELLAHIN: Andrew, are you ready?

25 THE WITNESS: Yes, sir.

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ANDREW MCCALMONT,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, sir, would you please state your name and occupation?

A. My name is Andrew McCalmont, and I'm a petroleum engineer for Chesapeake out of Oklahoma City.

Q. Mr. McCalmont -- I'm sorry, I can't pronounce your name.

A. McCalmont.

Q. Mr. McCalmont, on prior occasions have you testified before the Division?

A. No, sir.

Q. Summarize for us your education.

A. I have an undergraduate degree in petroleum engineering from New Mexico Tech, and I have a master's of business administration from Wichita State University, and I'm a licensed professional engineer in the State of Kansas, and I've been employed as a petroleum engineer since 1982, steadily.

Q. Are you familiar with the Boyce wells in the east half of 15 that are operated by Chesapeake?

A. Yes, sir, I am.

1 Q. When we look at the Boyce 5 well, that's a well
2 for which you have detailed information and knowledge?

3 A. Yes, sir, I do.

4 Q. This well was being drilled, as I understand it,
5 based upon your recommendations and involvement?

6 A. Yes, sir, I am the one who proposed this well at
7 our team meeting at Chesapeake. And I was -- specifically
8 was hoping that we had a good Strawn play here, because I
9 had reviewed the 3-D with our geophysicist and also knew
10 that there was additional serendipity here in that
11 everything from the Morrow all the way on up through the
12 Wolfcamp could conceivably be productive. And I saw that
13 we did not have a well in the northwest quarter of 15, and
14 I pushed for one.

15 And we refined our seismic look at this, and we
16 thought that we had a great chance of getting a Strawn well
17 here, and that's the way it was permitted. And when I -- I
18 turned it over to the geophysicist and the geological group
19 and they agreed that we should do it, and it ended up being
20 permitted for a Strawn well only.

21 And after we started drilling it, I realized that
22 we were -- or our TD was only going to go to the Strawn.
23 And I reminded the geologist, I said, We need to take this
24 well on down and look at the -- at least look down through
25 the Brunson section of the Atoka, the lower Atoka. And

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23 Only have one upper Atoka well in this quarter section.

24 And she still advised me that that's not the way
25 it was done, that there was an R order that affected this

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1 they go like, Oh, yeah, yeah, you're right, we need to do
2 that.

3 So consequently we did, and when you look at this
4 -- when we move on to the next exhibit and you see the
5 Strawn mound in this well, you'll see why we could not
6 attempt a completion in the Strawn mound, because even it
7 looked good 3-D-wise, it's tight, completely.

8 Q. Did you notify the Division's office in Hobbs and
9 discuss with -- Donna Mills, is it? -- your request for
10 perforations in the Atoka?

11 A. With regards to our completion, we submitted a --
12 we submitted our completion as an Atoka, upper Atoka gas
13 well, to the Hobbs Office and Donna Moe called me and
14 advised me that I had to shut the well in unless I called
15 Santa Fe, and that we could not produce that well from the
16 Atoka.

17 And at that time I advised her, because I had
18 sent the same paperwork as a recompletion notice for the
19 Boyce Number 1, which was our upper Atoka well at the time,
20 showing that we were recompleting it in the Wolfcamp and
21 that it had been shut in prior to our completion and
22 putting this well on line, because I knew that we could
23 only have one upper Atoka well in this quarter section.

24 And she still advised me that that's not the way
25 it was done, that there was an R order that affected this

1 particular quarter, which I subsequently became very
2 familiar with.

3 Q. And as a consequence, we've got this Application
4 filed, and we're appearing before Examiner Jones this
5 morning?

6 A. That's correct.

7 MR. KELLAHIN: We tender Mr. McCalmont as an
8 expert engineer.

9 EXAMINER JONES: Mr. McCalmont is qualified as an
10 expert engineer.

11 Q. (By Mr. Kellahin) Let's go back again and look
12 at Exhibit Number 1, and let's have you describe for us
13 what we're seeing on Exhibit Number 1.

14 A. Exhibit Number 1 is a well plat of the Atoka
15 producers in the immediate area. And on the key on the
16 right-hand side over here, you can see where yellow is an
17 Atoka producer, and we have well name and we have depth.

18 And we also -- The red outline would show --
19 would be the 660 from the quarter-section line, so that is
20 what we're calling our orthodox box with regards to gas
21 wells.

22 Q. The yellow circles indicate it was an Atoka
23 producer at some point. That doesn't necessarily mean
24 these are all Atoka wells?

25 A. That's correct, in fact, they are not all

1 currently Atoka wells.

2 Q. Let's identify for the record, then, in the
3 northeast quarter of 15, starting with the Number 1 well,
4 the Boyce 15-1, what's the status of that well now?

5 A. That well is currently a Wolfcamp oil well, and
6 it had previously -- it was tested in the Morrow and it was
7 tested in the Brunson, and then it was completed in the
8 Atoka and was subsequently recompleted in the Wolfcamp at
9 the -- approximately the same time as the Boyce 15-5 was
10 completed as an Atoka well. Actually, it was completed
11 later, but it was shut in prior to the Boyce 15-5 being
12 completed in the upper Atoka.

13 Q. And what is the current status of the Boyce 15-3?

14 A. The Boyce 15-3 continues to be producing from the
15 lower Atoka. It is a Brunson well, lower Atoka well, and
16 it's making approximately 800 MCF a day. It's a good
17 Brunson well that we intend to deplete.

18 Q. Your objective, then, in Section 15 for the east
19 half would be to obtain approval for the Boyce 15-5 to
20 continue to produce at an unorthodox location in the upper
21 Atoka Pool?

22 A. That is correct, that is what we are requesting
23 from the Commission, is to grant us an unorthodox location
24 for the 15-5.

25 Q. And then to continue their approvals to allow us

1 to substitute the 5 for the 1, and --

2 A. That's correct, within this R order.

3 Q. Yeah, and then to -- that would allow us, then,
4 to produce the Boyce 5 and the Boyce 3?

5 A. That's correct.

6 Q. Let's look at the cross-section now, so that the
7 Examiner can see the relationships of these various
8 intervals.

9 A. In the lower right-hand corner of the cross-
10 section --

11 Q. Give us just a second to unfold this.

12 EXAMINER JONES: You're supporting Weyerhaeuser
13 here.

14 THE WITNESS: We need magnetic walls.

15 EXAMINER JONES: We do have a real big screen
16 here if you guys ever consider using it if you -- could
17 have put this on --

18 THE WITNESS: Sure, we can do that.

19 EXAMINER JONES: Maybe some day.

20 Q. (By Mr. Kellahin) Go ahead, Mr. McCalmont.

21 A. In the lower right-hand corner you can see which
22 wells this cross-section goes through, and on the right-
23 hand side would be the well, the 15 Number 3, which is the
24 lowermost or southernmost well on this cross-section, and
25 then this runs all the way up through the Brunson State Com

1 Number 1, which is the northernmost gas well on this cross-
2 section.

3 So using these two simultaneously, these two
4 exhibits, makes it a little bit easier because the well
5 names are folded on the Exhibit Number 1.

6 What you can see here on the far right-hand
7 cross-section is the Boyce 15-3, which is in the southeast
8 of the northeast of Section 15. And the red interval --
9 the red section within the wellbore, the cross-section,
10 shows where the well has been perforated. And the green
11 color indicates where the well is producing from at this
12 time.

13 So you can see that within the Morrow section of
14 the 15-3, that well was shot and tested within the Morrow,
15 and subsequently a bridge plug was set because it was not a
16 commercial completion.

17 EXAMINER JONES: The Morrow is the yellow, light
18 yellow?

19 THE WITNESS: Yes, sir. If you look at the well
20 in the center, the red line is what we're calling the top
21 of the Morrow.

22 EXAMINER JONES: Oh, there it is. Okay.

23 THE WITNESS: So then we applied to recomplete
24 this well as a Brunson well within this pool, and the R
25 orders were subsequent to that, and --

1 Q. (By Mr. Kellahin) So where it says Active Shoe
2 Bar North Atoka, that's the Brunson portion of the Atoka
3 Pool?

4 A. That is the Brunson portion of the Atoka or some
5 -- they refer to it as the lower Atoka.

6 Q. Okay.

7 A. So that zone correlates clearly all across this
8 cross-section. From north to south, that zone is clearly
9 and easily identified.

10 And you can also -- The entire yellow section
11 within this cross-section, the dark yellow, is -- wherever
12 we have dark yellow is where we've highlighted porosity
13 within the Atoka.

14 So you can clearly see in the 15-3, this first
15 well on your right-hand side, the upper section of the
16 Atoka looks very good there, for instance. That's the
17 upper Atoka. Then the well immediately to the left is the
18 15-1, and that's where that well was completed in, is in
19 the upper Atoka.

20 Q. And that's the well that's now abandoned, and
21 it's in the Wolfcamp?

22 A. Yes, and it is in the Wolfcamp at this time.

23 Q. Continuing, going to the left, would you look at
24 the 15-5 now?

25 A. Yes, sir, that's third from the left or fourth

1 from the right. This well was taken on down through the
2 Atoka so that we could take a look at it on the logs, and
3 it clearly has some porosity and productive capability from
4 the Atoka.

5 If I can direct your attention to the blue, which
6 is immediately above, which is the Strawn section across
7 this cross-section, you can see in the 15-5 that the Strawn
8 develops no porosity and that we would have had a dry hole
9 if it hadn't been for our ability to complete this well in
10 the Atoka.

11 EXAMINER JONES: How did that happen?

12 THE WITNESS: We -- I'm telling, you, our science
13 with regards to 3-D is not perfected. It looks really good
14 on our picture and we were looking at the wrong reflectors,
15 something has tripped us up. But that's tripped us up
16 before. We have a lot of good seismic data around
17 Lovington, and for the most part it's accurate. But we've
18 drilled some prospects that we thought would be a slam
19 dunk, and they were tight.

20 Q. (By Mr. Kellahin) Let's continue on to the left
21 and have you draw the comparison between the Yates Number
22 3, Big Flat Number 3, and the Boyce 15-5.

23 A. Right, that well directly north of our 15-5,
24 north and slightly west, the Big Flat Number 3, clearly
25 correlates to our well. That well was completed in the --

1 within the Shoe Bar North-Atoka Pool, back in approximately
2 2000. It was shot in both the Brunson or the lower Atoka
3 and the upper Atoka, and the well was produced for
4 approximately three years and then was subsequently
5 abandoned, and they've moved on uphole.

6 EXAMINER JONES: How much did it make?

7 THE WITNESS: According to the data that we have
8 from PI, it made 564 million, and it made approximately
9 5800 barrels of oil, and a little bit of water.

10 EXAMINER JONES: Okay.

11 Q. (By Mr. Kellahin) Does it appear from the record
12 that Yates abandoned this wellbore in the Atoka without
13 testing or perforating the remaining zones in the upper
14 Atoka that Chesapeake's produced -- or tested in their
15 well?

16 A. It appears to me that they've tested and opened
17 all of their porosity within the Atoka section, from the
18 top all the way to the bottom or the Brunson, and when I
19 look at the decline curve, I can -- it had a fairly decent
20 IP and it -- over a matter of about three years it declined
21 to a rate that didn't justify producing it from the Atoka
22 any longer, particularly when they had other zones uphole
23 that looked good.

24 So that's why I'm -- It's my presumption that
25 that's why they made the decision to move on, because it

1 wasn't as economical as it could be, and they had
2 essentially depleted everything here.

3 EXAMINER JONES: So Yates is not -- I guess we
4 can't talk for Yates, can we, at all here? But they are --

5 MR. KELLAHIN: They've given us a waiver.

6 EXAMINER JONES: For this well or on the Number 2
7 well, the ASN Number 2?

8 MR. KELLAHIN: The agreement with Yates is,
9 they're waiving objection to our location for the 5.

10 EXAMINER JONES: Okay.

11 MR. KELLAHIN: In exchange, we're not going to
12 object to the Number 2, which is not on this cross-section.

13 EXAMINER JONES: Okay.

14 MR. KELLAHIN: The Number 2 is a well that's not
15 yet been deepened to the Atoka.

16 EXAMINER JONES: Okay. And they have a letter
17 that's --

18 MR. KELLAHIN: Mr. Carr and I are going to trade
19 those letters.

20 EXAMINER JONES: Okay.

21 MR. KELLAHIN: And then we'll file them with you
22 so that you have them in your record.

23 EXAMINER JONES: Okay.

24 MR. KELLAHIN: But if you're looking at the
25 relationship between the 5 and the Yates Number 3, it's

1 appeared that they've produced it and abandoned that zone.

2 EXAMINER JONES: But they also had a -- They had
3 a zone uphole that they were kind of interested in too,
4 that oil zone, that --

5 THE WITNESS: Both the Strawn --

6 EXAMINER JONES: The Strawn.

7 THE WITNESS: -- and the Cisco, I believe, is
8 what they have subsequently recompleted it to.

9 EXAMINER JONES: But it was down to pretty low
10 rates before they abandoned it?

11 THE WITNESS: According to PI, it was making
12 approximately 20 MCF per day when it was abandoned.

13 EXAMINER JONES: How many years ago?

14 THE WITNESS: That was abandoned, according to
15 PI, probably around September or October.

16 EXAMINER JONES: Okay. Do you have a last
17 pressure point at that well?

18 THE WITNESS: I do not have that with me. I
19 would just have to estimate it.

20 EXAMINER JONES: What would you estimate it to
21 be?

22 THE WITNESS: The low pressure systems out there
23 are at approximately 40 pounds for Dynegy, their gathering
24 system --

25 EXAMINER JONES: Oh, okay.

1 THE WITNESS: -- is around 40 pounds. So I would
2 presume perhaps 70 pounds, maybe. It would be fairly --

3 EXAMINER JONES: Surface pressure?

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: So you have no idea of the
6 abandoned reservoir pressure out there --

7 THE WITNESS: No.

8 EXAMINER JONES: -- for that well?

9 THE WITNESS: No, I don't, but -- No.

10 EXAMINER JONES: I think they were supposed to be
11 turning in pressures at that time for gas wells.

12 THE WITNESS: It would be available in the State
13 records, and I do not have that data with me. I know that
14 our well will flow at approximately 60 pounds. That's what
15 our tubing pressure is right now on the 15-5, so --

16 EXAMINER JONES: Pretty low pressure.

17 THE WITNESS: -- it could be -- Right, they could
18 have been -- 70 is probably a liberal guess. I mean, it
19 could have been lower. It could have been as low as 40.

20 EXAMINER JONES: And it's not water problem --

21 THE WITNESS: No.

22 EXAMINER JONES: -- that loaded up with water?

23 THE WITNESS: Doesn't appear to be. They don't
24 report hardly any water production.

25 EXAMINER JONES: Okay. Okay, go ahead, I'm

1 sorry, I kind of deviated from your testimony.

2 THE WITNESS: Well, it's all relevant to the
3 situation here.

4 MR. KELLAHIN: That really does conclude our
5 presentation, and we're available to respond to questions.

6 We would move the introduction of Exhibit 1 and
7 2, and I do have a notice certificate, which is Exhibit 3,
8 so we would move for Exhibits 1, 2 and 3.

9 EXAMINER JONES: Okay, Exhibits 1, 2 and 3 are
10 admitted to evidence in this case.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. So one more time here, the Number 5, you're going
14 to be shooting the upper Atoka?

15 A. It is already shot.

16 Q. It's already shot --

17 A. Yes, sir.

18 Q. -- and it's a pretty good well?

19 A. It's making about 350 to 380 MCF a day.

20 Q. What kind of reservoir pressure do you have?

21 A. The reservoir pressure is around -- It's around
22 1000 pounds. This well acts like it has some pretty good
23 skin on it right now.

24 Q. Oh? So what kind of completion have you done on
25 it so far?

1 A. So far we have shot it and we have frac'd it,
2 and --

3 Q. You've still got skin on it?

4 A. Yes, sir.

5 Q. So you're thinking maybe another frac job?

6 A. It's possible. I have to propose that \$80,000
7 question --

8 Q. Yeah.

9 A. -- to myself as well as management.

10 Q. But you think it's got skin, based on the
11 pressure tests you ran?

12 A. It's running a 72-hour buildup.

13 Q. Okay. And the Number 3 well is going to be just
14 the lower Atoka?

15 A. That's correct.

16 Q. So one will be upper, one will be lower, and you
17 don't mix the two, right?

18 A. That's correct.

19 EXAMINER JONES: Okay. Okay, I'd have to -- I
20 may need to go back and read these other orders that
21 pertain to this 160 acres, to try to understand what's
22 going on here. But I think I follow what you were saying.

23 MR. KELLAHIN: I propose to do two things. One
24 is submit to you an amended Application and have the case
25 readvertised for September 8th, and I'll also give you a

1 suggested draft order so that you can understand our
2 thought process in how to make the change. And in fact,
3 what we're doing would not be determined at the R order,
4 but to simply replace the 5 for the 1.

5 EXAMINER JONES: Okay. Okay, I think that's all
6 my questions in this case.

7 Q. (By Examiner Jones) Now, the big Flat Number 2,
8 do you have any idea of Yates' intentions there? I guess
9 they could go for both zones, couldn't they? Because
10 that's going to be the only Atoka well in that --

11 A. That's correct.

12 Q. -- half section, I think,

13 A. The well in the northwest quarter of Section 14,
14 the Mayfly 14 State Com Number 1, is an excellent Brunson
15 well -- or Atoka.

16 Q. Oh, really?

17 A. Yes.

18 Q. What zone is it producing out of?

19 A. It's our understanding it's in the Brunson.

20 Q. Brunson means lower Atoka?

21 A. Lower Atoka, yes, sir.

22 Q. Okay. And it's got pretty good -- a good
23 porosity and thickness?

24 A. It's a good well.

25 EXAMINER JONES: It's a good well. Okay, I think

1 that concludes my questions for you. Thank you very much.

2 THE WITNESS: You're welcome.

3 EXAMINER JONES: And so this case is to be
4 continued -- readvertised and continued to July the --

5 MR. KELLAHIN: -- 8th

6 EXAMINER JONES: -- 8th.

7 MR. KELLAHIN: Yes, sir.

8 EXAMINER JONES: Okay, will do. Continued to
9 July the 8th for Case 13,267.

10 Okay, let's have a brief recess until I get Chris
11 on the phone, maybe a 10-minute recess.

12 (Thereupon, these proceedings were concluded at
13 9:52 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the earlier hearing of Case No. _____
heard by me on _____

_____, Examiner
Off Conservation Division

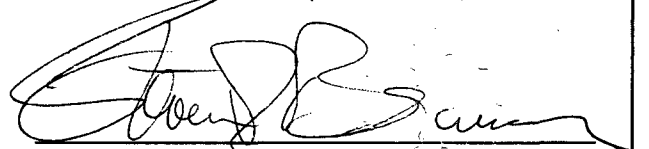
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 12th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006