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:	)	
APPLICATION OF HIGH PLAINS OPERATING COMPANY, LLC, FOR RESCISSION OF THE SPECIAL POOL RULES FOR THE SOUTHEAST ARENA BLANCA-ENTRADA POOL, SANDOVAL COUNTY, NEW MEXICO	)	CASE NO. 13,917

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 10th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 10th, 2007, 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.

* * *

I N D E X

May 10th, 2007
Examiner Hearing
CASE NO. 13,917

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit A	8	21
Exhibit 1	10	21
Exhibit 2	11	21
Exhibit 3	11	21
Exhibit 4	12	21
Exhibit 5	14	21
Exhibit 6A	16	21
Exhibit 6B	16	21
Exhibit 7	17	21
Exhibit 8	19	21
Exhibit B	19	21

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

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

* * *

WHEREUPON, the following proceedings were had at 10:40 a.m.:

EXAMINER CATANACH: All right, at this time I'll call Case Number 13,971, the Application of High Plains Operating Company, LLC, for rescission of the special pool rules for the Southeast Arena Blanca-Entrada Pool, Sandoval County, New Mexico.

Call for appearances.

MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry with the law firm of Holland and Hart, here representing High Plains Operating Company, LLC, this morning, and I have one witness.

EXAMINER CATANACH: Any additional appearances?

There being none, swear in the witness please.

(Thereupon, the witness was sworn.)

ARTHUR W. "BUTCH" BUTLER, III,

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

DIRECT EXAMINATION

BY MS. MUNDS-DRY:

Q. Good morning, would you please state your name for the record?

A. Good morning, my name is Butch Butler; my full legal name is Arthur W. Butler, III.

Q. Mr. Butler, where do you reside?

A. In Buena Vista, Colorado.

Q. And by whom are you employed?

A. High Plains Operating Company, LLC.

Q. What's your current position with High Plains?

A. I'm one of the owners and the geologist/geophysicist.

Q. And have you previously testified before the Division?

A. No, I have not.

Q. Would you briefly review for the Examiner your educational and work experience?

A. I have a bachelor's degree in natural resources from the University of Rhode Island and a master's degree in exploration geophysics from Stanford University. I've worked in the oil industry for about 30 years. I started with Amoco and worked for a number of different companies in Denver for many years, including Valero Producing Company and Wacker Oil.

I'm also a Wyoming certified petroleum geologist, and I did do a lot of testifying in North Dakota, in front of the North Dakota Industrial Commission.

Q. Are you familiar with the application filed in this case?

A. Yes, I am.

Q. Are you also familiar with the development of the

Entrada formation in the area surrounding the southeast Arena Blanca-Entrada Pool?

A. Yes, I am. We've been looking at this project for about a year, and I've been doing a lot of study on this.

MS. MUNDS-DRY: We would tender Mr. Butler as an expert in petroleum geology.

EXAMINER CATANACH: He is so qualified.

Q. (By Ms. Munds-Dry) Mr. Butler, would you briefly state what High Plains seeks with this Application?

A. We would like to have the order rescinded that put in place the special pool rules and regulations for the Southeast Arena Blanca-Entrada Pool.

Q. Would you review for the Examiner what the special rules now require?

A. The current rules, the pool boundaries are the north half of Section 8 in Township 19 North, Range 4 West, Sandoval County. The rules also define 160-acre spacing with all wells being 660 feet from a boundary and no closer than 10 feet to any quarter quarter section.

Q. And let's briefly review the history of how these rules were adopted, for Mr. Catanach. Who brought the initial application for the special pool rules?

A. The original application was filed by Penwell Energy. Case Number was 12,387. This was in the year

2000. They did drill a discovery well in the Entrada. It was the Eagle Springs 8 Federal Number 1. It was located -- It was at a nonstandard location in the northwest of the northeast of Section 8 of this township.

Q. And did that result in an order?

A. Yeah, that resulted in Order Number R-11,374. It created temporary rules on May 17th, 2000.

Q. And did the temporary rules become permanent?

A. No, they did not. Penwell actually came back several times requesting extensions of those rules. I'm reading through the testimony there. They say they were negotiating with Jemez Electric to get power in, and the power -- they just could never basically make a deal, is what the -- or at least a deal that was commercially satisfactory, I guess we would say. And so there was an Order R-11,374-A which extended it for one year.

They came back again the next year, basically said we still can't make a deal with Jemez, and so it was again extended another year with Order R-11,374-B, and those temporary orders are in essence still in place, although both wells that were drilled by Penwell have been plugged at this point.

MS. MUNDS-DRY: Mr. Examiner, we'd ask you to take administrative notice of that Case Number 12,387 and the Orders R-11,374-A and -B.

EXAMINER CATANACH: I will take administrative notice of that Case 12,387 and Orders Number R-11,374 as amended.

MS. MUNDS-DRY: Thank you.

Q. (By Ms. Munds-Dry) And Mr. Butler, are there any other pools nearby the Southeast Arena Blanca-Entrada Pool?

A. Yeah, there are several other pools. The closest pool to us is just called the Arena Blanca-Entrada Pool, and that's about two miles to the northwest.

There's also Eagle Mesa field, which a lot of the exhibits are going to refer to, which was really a pretty good producing Entrada pool. It's about three and a half miles to the east-southeast.

So those are the two closest Entrada pools to us.

Q. And do you know what rules apply to those pools?

A. It's just the standard statewide rules, apply for those fields, those pools.

Q. Mr. Butler, have you prepared exhibits for presentation in this hearing?

A. Yes, I have.

Q. Would you please turn to Exhibit Number A and identify and review that for the Examiner?

A. Okay, Mr. Examiner, this Exhibit A shows the location of the High Plains Operating Company re-entry wells in the very northwest of the northeast of Section 8.

It also shows our leases, and then to the east southeast it shows the Eagle Mesa field.

And then actually right on the very edge of this on the left side, there's one producing well in Section 36 in the township to the northwest of us, and that is the well that was in the Arena Blanca-Entrada Pool. That well produced about 34,000 barrels and a lot of water. And then you can see, there's been quite a bit of drilling around it. But they never made much in that one.

Eagle Mesa field cum'd about a million and a half barrels of oil. And it --

Q. And --

A. Yeah, it's --

Q. -- I'm sorry.

A. -- Eagle Mesa, we think, is the best analog, really, for what we're looking at here.

Q. And after you've studied the lands here, are there any affected offset operators?

A. No, there are not. Actually, all of these wells have all been plugged out at this point.

Q. What is the status of the royalty interest?

A. The royalty interest, actually in both of the leases, in 99704 -- and these are both federal BLM leases -- and in 99705 are the same.

Q. Thank you. Mr. Butler, would you please turn to

High Plains Exhibit Number 1 and review that for Mr. Catanach?

A. Well, you may be familiar with this. This actually comes from Case Number 12,387. This was the exhibit based on 3-D seismic mapping of the Entrada structure subsequent to their drilling the Eagle Springs 8 Federal Number 1 well.

And that well was an Entrada discovery. It has, you know, a nice oil column in it. They IP'd it in March of 2000 for about 220 barrels a day and no water initially.

Subsequent to them drilling the Number 1 well, as they were drilling that, they had some mud log shows, lost circulation zones in the Mancos, and they elected to drill the Eagle Springs 8 Federal Number 2M with a TD of 3850 in an attempt to establish production from the Mancos interval. That was not successful.

And so this does show the structure on the dune. You see the area in red -- and again, this is just a copy of their exhibit, this is what they had submitted -- it shows 194 acres within the productive area. And at this point -- again, this was based on 3-D data -- we think this is still a very valid map for the potential accumulation that we want to pursue.

Q. Now Penwell didn't seek to include in the pool that section above there, did they? It was only, I

believe, the north half of Section 8?

A. Right.

Q. And I believe you also said that the Eagle Springs 8 Federal Number 1 was at an unorthodox location, which is --

A. Yes, it was.

Q. If you would please turn to Exhibit Number 2 and review that for the Examiner.

A. Okay, Mr. Examiner, this is just a production plot from the Eagle Springs 8 Federal Number 1. If you look kind of down in the right-hand corner on this, it has the cumulative oil. This produced about 30,000 barrels of oil and about 78 1/2 thousand barrels of water. That is about a 27.6-percent oil cut.

And because they never got power in this, they never were able to do any high-volume fluid production in this well, which was done in all the other Entrada pools to make them commercial. So they ended up selling the property to some other operators, and it ended up being plugged by -- Synergy was the last operator in this, in November of 2005, and they plugged both of these wells in November of 2005.

Q. What is Exhibit Number 3?

A. This is a little more regional picture. This actually comes from *IHS Energy*'s website, and you can do

queries on that, looking for Entrada producers.

What you do see is, you know, our area, the Arena Blanca southeast, which for some reason *IHS* has as kind of a gas accumulation, but anyway -- and then immediately to the east southeast is Eagle Mesa field. A little further, another, you know, five miles to the east from that is Media, good Entrada-producing field. And then to the west of us, or kind of the west southwest, is Papers Wash.

And so in the Entrada there are really three good fields, that is, Papers Wash had a cumulative of about 1.6 million barrels, Eagle Mesa about 1.5 million barrels, and the Media complex about 2 million barrels from the Entrada.

You will see some other kind of scattered dots indicating Entrada production. Arena Blanca immediately northwest of us, I've already mentioned, that produced about 34,000 barrels of oil. The Ojo Encino in accumulation was about 70,000 barrels. And then the other, you know, dots, magenta dots that are up to the northeast from us, really never produced anything, a couple of thousand barrels from one of those wells.

But that kind of just shows you regionally, you know, where we sit relative to the other good Entrada producers at Papers Wash, Eagle Mesa and Media.

Q. Let's turn to Exhibit Number 4 and review that for the Examiner.

A. Okay, this is a figure that I put together, and just got looking at Eagle Mesa and, you know, with the activity that was in there it could be a little confusing. But the black lines that are connecting wellbores are horizontal wells that were drilled by Merrion in 1994 and 1995.

The original field was discovered by Filon Exploration in August of 1975. And Filon drilled four wells in succession. They were completed in August, September, October and November, and that was the well in Section 12 was the first one, the well in Section 11 was the second, then they came over and drilled the well in Section 13, and then the well in Section 14, again just -- they had a rig out there, it seems to me that's apparent, and they just successively drilled those four wells. And those were the four producers that existed until, you know, the mid-1990s.

The numbers in red that you see there are the distances between those wells. And that is on statewide spacing rules which allow wells to be drilled 330 feet from a spacing unit boundary. And not exactly but pretty much these wells were drilled about 330 and 330 from the common section corner that you see between 11, 12, 13 and 14. Again, this is in the same township that we are in, 19 north, 4 west.

Merrion came in, then, later and drilled some vertical wells. Down at the bottom you'll see vertical wells, the EMU Number 5 and Number 7, and those were vertical wells. And they also drilled three horizontal wells on the EMU Number 3H, 2H and 1H.

If you go to the bottom part of this exhibit, you know, what I've done in the software, the mapping software that I've got, I've just said, you know, make a 40-acre box -- this is 1320 on a side -- and you know, I've laid that 40-acre outline over those wells. And in essence, those wells are drilled on 10-acre spacing.

Q. And I believe you said this, Mr. Butler, but the distances in red on the top part of the map, they're between the vertical wells, right?

A. Correct, they are between the vertical wells. And so if you look in Section 13, the 1744, that would be between the Navajo 13C Number 1 and then the EMU Number 7 to the south.

Q. Let's turn to Exhibit Number 5. What does this show?

A. Okay, Exhibit Number 5, then, is showing the oil cumulative for each of these wells. And you know, what we see is within that 40-acre box that I've put on there. You know, we really have three very good wells. And you know, you might want to refer back to Figure Number 4 for the

well names.

But in Section 12, interestingly, that well only cum'd 36,000 barrels. Yet it has a good log. I think there's a production issue, I think that's what happened for that well.

Completion technique. If you look at the other wells and the well in Section 13, the vertical well cum'd 259,000 barrels. In Section 14 the vertical well cum'd 610,000 barrels. And in Section 11 that well cum'd about 254,000 barrels. So a lot of oil was recovered out of that 40-acre tract.

When Merrion then came in, they did a 3-D seismic survey in -- I'm going to say about '93, '94, they drilled their first horizontal well, and it was the well that was kind of right in the middle of those existing vertical producers. It only cum'd 3.8 thousand barrels, so it was not -- that was not very successful.

If you look at the other two horizontals that they drilled off to the south, one cum'd 112.6 thousand barrels, the other 115.8 thousand barrels. So those were reasonably successful horizontal wells.

And then, you know, their vertical well, which is the EMU Number 5, cum'd 131.2 thousand barrels.

And then they actually fell off the structure, and they fell out of the trap in the EMU Number 7. It only

cum'd 2.9 thousand barrels, and that's pretty obvious from looking at the geology.

Q. Okay, let's turn to Exhibit Number 6A and review that for Mr. Catanach.

A. This is just a production plot. This is a combination of both the Navajo 14C Number 1, the original Filon well, and then the Merrion EMU Number 3H, which is the horizontal Entrada well. Together, those two wells cum'd 725,000 -- 726,000 barrels of oil. If you look at the cumulative water, 28 million barrels of water.

So overall in this field, the overall oil cut at the end of the life of the field is approximately 2.5-percent oil. So it is a water-moving operation.

If you look at that plot, you can see when Merrion came in in the '90s, then, and drilled the horizontal well. They actually had, you know, pretty high rates, but it declined fairly quickly. Again, they did end up getting a cumulative out of there of about 115,000 additional barrels recovered. But this was a very good well, and, you know, we hope we can go drill one similarly.

If you look at 6B, this is the Navajo 13C, along with the EMU Number 2H. Again, these two wells together cum'd 371.6 thousand barrels of oil. And it just -- I included these to show you an example of the type of decline curve that you can expect in the Entrada.

Obviously, these are both very good wells. But this is pretty typical looking at other fields also in terms of the nature of the production.

Q. Great, let's turn to Exhibit Number 7.

A. Exhibit 7 is comparing on the left the Eagle Springs 8 Federal Number 1, which was drilled by Penwell Energy, and the Navajo 13 C Number 1. And this section at the bottom, you'll see a kind of a yellow line, and this is flattened on a marker within the Entrada section. Overall, the Entrada is up to, you know, 200 feet thick, and so the production is from typically an oil column of 20 to 30 feet at the top of that full package of Entrada, and below is all water.

And on both of these -- and it's maybe a little hard to see, but you will see a 4-ohm line that's kind of a little thicker blue line, and then a 10-ohm line, which is in red. And we feel that, you know, the 10 ohms or greater is where you definitely get better wells.

You will note that the Eagle Springs A Federal Number 1 IP'd for 219 barrels of oil and zero barrels of water in March of two thousand -- and that's actually -- I see I made a typo. That should say March of 2000, not 2001. I apologize for that.

And then the Navajo 13C I'd for 195 barrels of oil and zero barrels of water, and it cum'd 259,000

barrels.

And the point, really, with this display is that the log response is very similar. We think we've got a real similar type of accumulation as what they had at Eagle Mesa, and so that's the main point of that exhibit.

Q. Mr. Butler, after studying the Entrada formation and the subject pool and comparing well performance in other project areas, what is your conclusion?

A. In regards to the spacing issue, which is really what we're here about, it seems very evident that 160-acre spacing is too large, that you will not drain the reserves in the accumulation. This is due to the nature of the production and the high water volumes that are produced. An in essence what happens, I think, with these is, you develop a cone that doesn't allow you to drain a large area.

And so at Eagle Mesa field, you know, we see that -- you know, four wells within a 40-acre block, actually, produced 1.1 million barrels of oil.

And so our conclusion is that the 160-acre spacing should be rescinded, and we would like to just go back to the normal state 40-acre spacing at this point in time.

Q. And in fact, the Eagle Mesa wells show that it may even be -- I mean, less than that, not that you're --

A. Well --

Q. -- arguing that today?

A. -- yeah, I think the evidence is in front of you, and I think it certainly seems like they were fortuitous, and that accumulation was centered around a section corner or just could be a spacing unit boundary, allowing them to drill optimum locations on these wells, move a lot of fluid in the wellbores and recover a lot of oil.

Q. Mr. Butler, what is Exhibit Number 8?

A. Again, this comes from, you know, the hearing. This is basically just another figure out of the original hearing by Penwell, and they had put 40-acre outlines on this. I did not do that. That is right out of the documentation, the record from their hearing.

And so if you look at that, I would just say envision Eagle Mesa field with that 40-acre box on this structure. And so we certainly again think that the evidence is that you need a higher well density than 160 acres to drain this accumulation.

Q. And in your opinion, will the granting of this Application be in the best interest of conservation, the protection of correlative rights, and the prevention of waste?

A. Yes, we do.

Q. And is High Plains Exhibit Number B the affidavit

of publication that was given for this Application?

A. Yes, it is.

Q. And was there any other notice given of this Application?

A. No, there was not. There was nothing else required.

MS. MUNDS-DRY: And Mr. Examiner, you were asking Mr. Bruce earlier.

We're looking at a different part of 1210.A.(4), as we believe we're affecting the acreage of the pool, and so we looked at whether there were any Division-designated operators in the pool, and if there were any mineral interest owners in spacing units with current producers, and there were none. And so the only notice that we gave was notice by publication.

Q. (By Ms. Munds-Dry) And Mr. Butler, were Exhibits A, B and 1 through 8 prepared by you or compiled under your supervision?

A. Yes, they were.

MS. MUNDS-DRY: Mr. Catanach, we would ask that the Exhibits A, B and 1 through 8 be admitted into evidence.

EXAMINER CATANACH: Exhibits A, B and -- what other ones, Ms. --

MS. MUNDS-DRY: 1 through 8.

EXAMINER CATANACH: -- 1 through 8, will be admitted as evidence.

MS. MUNDS-DRY: I have no further questions for Mr. Butler.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Butler, did you review the case file in that original case?

A. Yes, I did, I have gone through all those dockets.

Q. And what did you find in terms of evidence that was presented to substantiate the 160-acre spacing request?

A. From a technical standpoint, I did not really see anything that would -- in terms of reservoir engineering studies that would document that. They had their 3-D seismic survey, they -- you know, as you can see from their structure map, they had a bull's eye, and they came in and said, We feel we can drain this with one well.

So there was never any comparison with other fields in the area. You know, this is our opportunity, I guess I would say right now, we think.

But I have pondered why they would have done this, and I don't have an answer. It's a large federal lease, one well would have -- is going to hold the whole lease, so it's -- I think the common thought is that, well,

they were trying to hold more acreage, but that doesn't apply in this situation. So I can't -- I really don't understand why they would do that.

Q. Okay.

A. But they did, and it was granted, and now we would just like to have that order rescinded based on what we think is very compelling evidence. I am showing you Eagle Mesa field. That 40-acre box that I'm showing you, you could lay over at Papers Wash, at Media, and you're going to have multiple wells --

Q. Hm.

A. -- within a 40-acre box. So again, I think the evidence would be that you may need even higher density than 40 acres. Again, at this point in time that's not what we're asking.

Q. Okay. So you've looked at the geology, and the geology in this pool is similar to the ones --

A. Yes.

Q. -- to the geology in the surrounding pools?

Now the 160-acre spacing, they were required to come back in and present data that they had acquired through production to kind of justify the 160-acre spacing. They never did that, right?

A. No.

Q. They --

A. When they came back in those subsequent hearings, in reading through the testimony what they say is, We just -- we need to get electric out here. Now, they actually recognized they needed to move a lot of fluid, so that's in the testimony. And they say, you know, We know we need to put a submersible pump, we think we can get a tenfold increase.

That well over the period of about 15 months went from about 220 barrels of oil with no water to about 20 barrels of oil and 200 barrels of water. Now what the evidence shows is, that's typical. That is very typical for this Entrada. And where you made a lot of oil is where they were moving, in some cases, up to 4000 to 5000 barrels of fluid a day and getting, you know, 3- or 4-percent oil. Well, you know, do the math. It's pretty good daily rate.

And if you look at the decline curve for the well that cum'd, you know, 600,000 barrels, I mean, it held up at a reasonable rate, 5- or 6-percent oil, for many years. And so they recognize that, but really their only argument was -- asking for the temporary orders to be extended was, We just can't make a deal with Jemez.

Q. Uh-huh.

A. You know, that's an economic thing, that's a commercial-type question, right? And I visited with Jemez in the last week, and I don't think they really deal. I

think they tell you, This is what it is. And since -- you know, in the last seven years the cost of running an electric out here has gone up probably an order of magnitude. They had a 280-percent increase, they told me, this spring.

I was like -- What? We started looking at this last year.

And they said, Yeah, 280 percent early this spring.

So power out here is going to -- Our estimate is approximately $400,000. To run power from Eagle Mesa -- there's three-phase power at Eagle Mesa, and to run it out here is going to cost us quite a bit of money. Anyway...

Q. Okay. So when Synergy got to the point where they were producing more water than they wanted, they just plugged the wells?

A. Yeah, actually when Synergy took over as operator on these wells they attempted to produce from the Menefee coals in the Number 2M well, and their thought was, they were going to try and dewater those. And they actually tested in the number one well, the producing Entrada perfs, for injection. So there was an injection test where they injected water into it, and they acidized it. We think they've ruined that well, Number 1 well, for production.

So we are actually in process. The Number 2 well

is on normal 40-acre spacing. It was not at a nonstandard location, the Number 2M well, and we are process of deepening that well to the Entrada right now.

Q. Okay. So your plan is to produce the Number 2 well?

A. Correct.

Q. And what are you going to do with the Number 1?

A. If we are successful in establishing commercial production in the Number 2 well -- and I'm -- you know, we've got some thoughts in terms of how we want to produce this thing. We feel like, you know, we could put off water production maybe for a year or so, but our intention down the road is going to be to re-enter the Number 1 well and make it a saltwater disposal well in the Entrada, which has been the standard disposal zone in these Entrada pools.

And again, it's a very thick zone. It does have some stratigraphic layering, kind of, in it as you get down to the formation that we think will provide somewhat of a barrier when we inject. And this is what was done by Merrion and Filon and Petro-Lewis, you know, going back to the '70s, when they were producing out here.

Q. You didn't do any kind of drainage calculation on these wells, right?

A. At Eagle Mesa?

Q. Yeah.

A. No.

Q. But these wells, it's your opinion that none of them are draining -- what, more than 40?

A. Well, I think you could say none of them might be draining, you know, more than 10 even.

Again, I think because of the -- you know, when the water breaks through, which seems to happen fairly early in the life of this, you have a cone. And what's the shape of that cone? We've talked with Steve Dunn, with Merrion in Farmington. You know, he said they looked real hard at -- you know, at different studies. They had looked at CO_2. And he said, We just came to the conclusion that you just need to move a lot of fluid. And in essence, it's a skimming operation.

Q. Now, if you guys -- Are you the owners of both those federal leases?

A. Yes.

Q. So all the acreage shown on your Exhibit A that's colored is owned by your company?

A. Yes, I just used two different colors to specify the two different federal leases. So you can see that 99704 is actually split, we have most of the acreage in Section 1, except the southeast quarter, and then Section 5, that's part of the same lease --

Q. Okay --

A. -- and then 99705 covers 6, 7, 8 and 9.

Q. So based on the geology, you're going to -- all of your activity is going to be centered in the northern half of Section 8, and possibly in the south half of Section 5?

A. Yes. Basically again, we think that this 3-D interpretation that's done is a very valid one.

Q. Okay.

A. And, you know, I have reviewed this seismic data.

EXAMINER CATANACH: Okay, I don't think I have anything else.

Mr. Brooks, do you --

MR. BROOKS: Nothing, thank you.

MS. MUNDS-DRY: Thank you.

EXAMINER CATANACH: Okay.

THE WITNESS: Thank you, it's a pleasure to be here.

EXAMINER CATANACH: Thank you, sir.

Okay, there being nothing further in Case 13,917, this case will be taken under advisement.

(Thereupon, these proceedings were concluded at 11:14 a.m.)

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13917, heard by me on 17 August 2007.

David K. Catanach, Examiner
Oil 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 May 14th, 2007.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010