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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. 14131

APPLICATION OF NADEL AND GUSSMAN HEYCO,
LLC, FOR AN ORDER AUTHORIZING THE
DRILLING OF A WELL IN THE POTASH AREA,
EDDY COUNTY, NEW MEXICO

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
TERRY G. WARNELL, Technical Examiner

May 29, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico Oil
Conservation Division, DAVID K. BROOKS, Legal Examiner, and
TERRY G. WARNELL, Technical Examiner, on May 29, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
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19	FOR THE APPLICANT:	
20	James G. Bruce, Esq.	
21	ATTORNEY AT LAW	
21	P.O. Box 1056	
22	Santa Fe, New Mexico 87504	
23		
24		
25		

1 MR. BROOKS: At this time, we will call Case
2 No. 14131, Application of Nadel and Gussman, HEYCO, LLC, for an
3 order authorizing the drilling of a well in the Potash Area,
4 Eddy County, New Mexico.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe. I
6 have two witnesses.

7 MR. BROOKS: Is there anyone present representing
8 Intrepid Potash? Note for the record that Intrepid Potash
9 filed a protest letter dated May 22, 2008, opposing the
10 granting of this application, but did not indicate in that
11 letter that they intended to be present. So I assume they
12 probably are not present. Do I hear anything from anyone?

13 The person who just came in is Mikal Altomare, and I
14 don't think she represents Intrepid Potash.

15 There being no appearances for Intrepid, are there
16 any other appearances in Case No. 14131?

17 Very good. You may proceed, Mr. Bruce.

18 MR. BRUCE: Could I have my witnesses sworn in,
19 please?

20 {Witnesses sworn.]

21 MR. BRUCE: Mr. Examiner, I note that I have not --
22 it might be the U.S. Mail, but I have not received a copy of
23 that May 20th letter.

24 MR. BROOKS: May 22nd.

25 MR. BRUCE: May 22nd letter from Intrepid, so --

1 MR. BROOKS: You are welcome to look at mine.

2 COLBY BOOTH

3 after having been first duly sworn under oath,

4 was questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Will you please state your name for the record?

8 A. Colby Booth.

9 Q. And where do you reside?

10 A. Roswell, New Mexico.

11 Q. Who do you work for?

12 A. I currently work for Nadel and Gussman HEYCO,

13 LLC.

14 Q. And what is your job at Nadel and Gussman HEYCO?

15 A. My title is landman.

16 Q. Have you previously testified before the

17 Division?

18 A. No, I have not.

19 Q. Could you please summarize your educational and

20 employment background for the Examiner?

21 A. In April of 2004, I started working for Harvey

22 E. Yates Company and continued through until January 1st of

23 2008, where I now work for Nadel and Gussman, LLC.

24 I graduated in the fall of 2006 from Eastern

25 New Mexico University with a Bachelor's degree in business

1 administration.

2 Q. Okay. And has your time at both Harvey E. Yates
3 Company and Nadel and Gussman HEYCO been as a landman?

4 A. Yes, sir.

5 Q. And are you familiar with the land matters
6 involved in this application?

7 A. Yes, I am.

8 Q. And your area of responsibility for the applicant
9 involves this area of New Mexico?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I tender Mr. Booth as an
12 expert petroleum landman.

13 MR. BROOKS: So qualified.

14 Q. (By Mr. Bruce): Mr. Booth, could you identify
15 Exhibit 1 for the Examiner and describe briefly what Nadel and
16 Gussman HEYCO seeks in this application?

17 A. Exhibit 1 is a Midland Map Company land plat
18 highlighting the west half of Section 32 and Township 20 South,
19 Range 30 East. We seek approval to drill our Heyco State
20 Well #2 at location 1650 from the north and 198 from the west
21 line in Section 32.

22 We also request that the order in this case allow the
23 drilling at additional wells in the west half of Section 32
24 without the need to go to hearing.

25 Q. What is the target of this proposed well?

1 A. It is a Morrow test well.

2 Q. Referring to Exhibit 2, what type of land is the
3 west half of Section 32?

4 A. The west half of Section 32 is State land and
5 it's subject to an oil and gas lease K-4278-1. The record
6 owner is Harvey E. Yates Company. The second page lists all
7 working interest owners in the lease.

8 Q. And why does Nadel and Gussman HEYCO need to come
9 to hearing to obtain approval for drilling this well?

10 A. Because this well is within the oil Potash area
11 and is in an LMR, Life of Mine Reserve.

12 Q. Referring to Exhibit 3, who is the Potash lessee
13 of the west half of 32?

14 A. Exhibit 3 is another printout from the State Land
15 Office website. And Section 32 and the adjoining acreage is
16 subject to the Potash lease M-651-11, owned by Intrepid Mining
17 Company, New Mexico, LLC.

18 Q. And will Natal and Gussman HEYCO's next witness
19 discuss the effect of any drilling on Potash?

20 A. Yes, he will.

21 Q. Did Natal and Gussman HEYCO seek a waiver from
22 the Potash lessee to drill the proposed well?

23 A. Yes, they did. And that well is included in
24 Exhibit 4.

25 Q. Okay. And what is Exhibit 5?

1 A. Exhibit 5 is a letter from Intrepid refusing to
2 waive objection to the drilling of the Heyco State #2 Well and
3 they assert that all of Section 32 is within the LMR. As a
4 result, we filed this application.

5 Q. What is Exhibit 6?

6 A. It's a copy of the APD to drill this well.

7 Q. Is Nadel and Gussman HEYCO ready and able to
8 drill this well?

9 A. Yes, they are.

10 Q. And what is Exhibit 7?

11 A. Exhibit 7 is the AFE for the well. It is a
12 12,675-foot Morrow test well with a dry hole cost of \$1.9
13 million and a completed well cost of \$2.9 million.

14 Q. Were the affected parties notified of this
15 hearing?

16 A. Yes, they were. And the Notice of Affidavit is
17 in Exhibit 8.

18 Q. Even though -- and to note on this letter -- the
19 lessee of record is Intrepid Mining NM, your correspondence has
20 been, apparently, with the parent company, Intrepid Potash,
21 Inc., in Denver?

22 A. Yes.

23 Q. And in your opinion, is the approval of this
24 application in the interests of the prevention of waste and the
25 protection of correlative rights?

1 A. Yes, it is.

2 Q. And were Exhibit 1 through 8 prepared by you or
3 under your supervision or compiled from company business
4 records?

5 A. Yes, they were.

6 MR. BRUCE: Mr. Examiner, I move the admission of
7 applicant's Exhibits 1 through 8.

8 MR. BROOKS: 1 through 8 are admitted.

9 MR. BRUCE: And I have nothing further of the
10 witness.

11 MR. BROOKS: Mr. Warnell, questions?

12 MR. WARNELL: No questions.

13 EXAMINATION

14 BY MR. BROOKS:

15 Q. Now, you said Intrepid actually has a lease on
16 this particular acreage?

17 A. Yes, sir.

18 Q. Do you know where their LMR is situated in
19 relation to this acreage other than -- I'm sure this includes
20 it, or I suppose it does?

21 MR. BRUCE: Our next witness will discuss that.

22 MR. BROOKS: Okay. I guess, then, I don't have any
23 further questions of this witness.

24 Q. (By Mr. Brooks): Oh -- one other, I guess: Have
25 you made a search to determine if there are any other Potash

1 lessees within one mile of this location?

2 MR. BRUCE: Mr. Examiner, I think -- if I could
3 supplement the record later, I know we looked, and I can't find
4 any others.

5 MR. BROOKS: Okay.

6 MR. BRUCE: But I don't have those in front of me.

7 MR. BROOKS: Very good. That will be fine.

8 You may call your next witness.

9 MR. BRUCE: I call Mr. Germann to the stand.

10 SCOTT GERMANN

11 after having been first duly sworn under oath,

12 was questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Will you please state your name and city of
16 residence for the record.

17 A. Yes. Scott Germann, Midland, Texas.

18 Q. And who do you work for?

19 A. Nadel and Gussman HEYCO, LLC.

20 Q. What is your position with Nadel and Gussman

21 HEYCO?

22 A. General manager and exploration manager.

23 Q. By trade what are you?

24 A. Petroleum geologist.

25 Q. Have you previously testified before the

1 Division?

2 A. Yes, I have.

3 Q. And were your credentials as a geologist accepted
4 as a matter of record?

5 A. Yes, they were.

6 Q. And do you oversee all of the geology involving
7 this part of Southeast New Mexico?

8 A. Yes, I do.

9 MR. BRUCE: Mr. Examiner, I tender Mr. Germann as an
10 expert petroleum geologist.

11 MR. BROOKS: Well, there's nobody to object, so I
12 guess --

13 THE WITNESS: There have been people to object. I
14 appreciate you not.

15 Q. (By Mr. Bruce): Mr. Germann, what is the primary
16 target of your proposed well?

17 A. This is a Morrow test, subject test well, and the
18 Lynx well is completed. The BD State #2 is completed directly
19 on the lease line. It is also producing from the Lower Morrow
20 as we would be targeting in our zone as well.

21 Q. So that's the well in the offsetting east half of
22 Section 32 --

23 A. Yes, sir.

24 Q. -- that was recently drilled?

25 A. Yes. Actually, it was spud last summer and

1 drilled through the fall and completed late in the year. And
2 it's been producing now since late last year throughout the
3 beginning of this year. It's a significant well. It's making
4 over a million and a half a day. But interesting enough, it's
5 choked way back.

6 It's on a 9/64ths choke with over 2000 pounds flowing
7 tubing pressure. That well could be flowing considerably more
8 gas if they chose to open the well up. I think they've been
9 working on some pipeline issues in the area. They are
10 currently selling to Enterprise.

11 Q. Could you please identify Exhibit 9 and discuss
12 the Morrow zones of interest in this area?

13 A. Sure. That's a stratographic cross section. I
14 do have a larger one if anyone needs to see a larger blown-up
15 version of that. This is a Datums on the top of the Lower
16 Morrow. Some people refer to it as the Middle Morrow Shale.
17 It goes west to northeast, basically.

18 On the left side it shows the Nadel and Gussman HEYCO
19 State #1, the Yates State #1, which is currently an active
20 Strawn well. Through our proposed location that we've
21 testified to in the northeast quarter, two of the Lynx would be
22 the State #2 that I just mentioned, and through to the
23 northeast up in Section 28, which is an older drilled by Pan Am
24 well, that was also a Morrow well. And it was an excellent
25 Morrow well. It's over 9 BCF in the Morrow and 50,000 barrels

1 of condensate.

2 The key -- I'll point out the key thing with the BD
3 State #2. It's currently producing from the Lower Morrow Sand,
4 what we consider in the Nadel and Gussman HEYCO nomenclature as
5 the Yellow Sand. And you can see that they tried or attempted
6 what we called the Green Sand. It was unsuccessful. They put
7 a bridge plug -- that's that little X in the middle of the well
8 bore sketch there, or the log -- and then they completed in the
9 Yellow. You see no other perms up and down the hole.

10 And we're getting all this data from the OCD website.
11 It's public data. We are not in the well. We have not
12 communicated with Lynx since it's a competitive situation. So
13 all this is what's released in public, and that's what I'm
14 relying on.

15 One thing of note: If you go to the Pan Am well,
16 which is the over 9 BCF well, it was also completed in that
17 Yellow interval at the very bottom of that and then some other
18 zones as well.

19 Also, the Pan Am well was completed in the sand up
20 the hole, which we call the Cope Blue. It's the next sand up,
21 which is the blue sand. And you'll note the Lynx well also has
22 that behind pipe that they have not hit yet in that blue
23 section. It's excellent porosity and excellent separation on
24 the profile. Mainly, it should be a good producer. It could
25 be that -- both of those sands together could be why this other

1 well made 9 BCF. The Lynx well is just too early in its life
2 to know how much it's going to cum yet. And they only have the
3 one sand open, that we know of.

4 The last point: On the Yates State #1 HEYCO Well
5 which we currently operate, it's an economic well from the
6 Strawn. It produces basically 100 to 110 MCF a day. Very
7 flat. It's been producing from that zone since 1975, and it's
8 made over -- it's also a very economic well. It's made over
9 2.5 B. We cannot really re-complete down to that zone and be
10 economic without endangering that Strawn current zone. So it
11 was made a decision to go ahead and offset the Lynx well to
12 protect the owners in the current Yates State well.

13 You can see that Yellow zone is also present. It's a
14 little tighter. The Cope Blue is little thinner. So we hope
15 by moving a little bit to the northeast that our log will look
16 a little better, perhaps like the BD State #2.

17 Q. Okay. And, of course, you would not be able to
18 produce the Strawn in your proposed well.

19 A. No, sir. Not without some type of an extra
20 hearing on the State 160; that's correct.

21 Q. And the purpose of drilling this Morrow well is
22 to protect yourselves from the competitive nature of the
23 offsetting Lynx well?

24 A. That's exactly correct.

25 Q. What is Exhibit 10?

1 A. Exhibit 10 is a structure map on that same datum,
2 that Lower Morrow Shale, at the top of the Middle Morrow. So
3 you can see it's right on top of our key pay of interest, which
4 you should always try to do as a geologist. And you can
5 actually see there's not a lot of structure in this area.
6 These are 50-foot contours.

7 I should point out, by the way, on all of our maps,
8 the acreage that HEYCO controls -- NG HEYCO controls -- is the
9 yellow here. And the proposed location is with the triangle.
10 And you see the cross section represented going through the
11 wells on the cross section.

12 We will be moving slightly updip from the HEYCO
13 State #1 and the BD State is actually perhaps on a small little
14 anticline, not a large feature, but perhaps it would be
15 slightly updip to our location.

16 Q. What is Exhibit 11?

17 A. Exhibit 11 is the key, a Net Isopach with an
18 8 percent cutoff on the key producing zones. On this map, you
19 also see the cross section and it is also represented in
20 yellow. If you see an open yellow circle, that actually means
21 that there might be potential pay that's not been hit yet in
22 that particular well bore.

23 The solid yellow dots are zones that have been
24 actually produced and perforated from this particular sand pay.
25 And, again, referring back to your cross section, you will see

1 that the yellow isopach is the sand that the BD State #2 is
2 currently tested in. And they're basically in the northwest of
3 the northeast of the 32.

4 Q. Just to reorient the Examiners on the wells
5 you've discussed, the well on the far left is the existing
6 Yates #1?

7 A. Yes, sir. That's exactly right, which is the
8 Strawn well.

9 Q. Which is the Strawn well and then the triangle is
10 your proposed well and then the offset immediately to the east
11 is the Lynx #2?

12 A. Right. And then we go up to the well on 28. And
13 you notice the well on 21 up there has also produced over 2 BCF
14 from this particular zone.

15 Q. What is Exhibit 12?

16 A. This second zone that I mentioned that looks
17 prospective in the BD State #2 which is produced in other
18 areas. Again, the same color code applies. If it's an open
19 blue circle, we think it might have potential pay. And if it's
20 a solid circle, it actually has perforated that particular sand
21 in that well bore.

22 I might mention that doesn't mean it's the only sand
23 that's been hit, but it is one of the particular sands.

24 Q. And so based on what you've seen, not in the
25 Yates #1 well, but certainly in the Lynx well, this sand is

1 prospective?

2 A. Very prospective, yes, sir. It is a more modern
3 log, but it definitely looks perspective, yes.

4 Q. Let's move on to discuss the Potash in this area.
5 What is Exhibit 13?

6 A. Exhibit 13 is the 1993 BLM Potash map showing
7 that there are measured Potash reserves in the west half of
8 Section 32.

9 Q. Okay. And Page 2 is the legend giving the type,
10 whether it's measured Potash or barren, et cetera, et cetera?

11 A. Right. And the little rectangular to the far
12 left orange line is the defined limits. The red straight
13 horizontal line infers barren with the blue being slightly
14 measured Potash reserves.

15 Q. Okay. Now, let's move on to your final
16 Exhibit 14. And under Rule R-111(p), you're supposed to be
17 what -- there's a half-mile buffer zone whether you're in an
18 Alamar or in a measured Potash area, correct?

19 A. Right. It's been testified before that there's a
20 danger of getting towards deep gas wells -- they could be
21 Morrow, they could be Strawn, they could be Atoka -- of the
22 half-mile buffer. And that's what this map represents, yes.

23 Q. Okay. Now, if there are measured reserves, why
24 does Nadel and Gussman HEYCO think drilling in this area is
25 proper and won't affect the Potash lessee?

1 A. Basically, because of the intense drilling that's
2 already occurred previously in the area. Basically, these are
3 half-mile circles around any deep penetration in the area. And
4 the red half-mile circle represents the proposed well that
5 we're discussing today, the Heyco State #2. So you can see
6 there's a lot of overlapping of circles. The Potash is
7 basically, if you will, has already been condemned by the
8 predecessors, and we're not really talking about any acreage of
9 any significance away from the Potash.

10 Q. And really, you could probably throw on some
11 other wells like over in Section 36 to the west.

12 A. Yes, you could.

13 Q. So in short, you do not believe that there will
14 be any undue waste of Potash caused by the drilling of your
15 proposed well?

16 A. No, sir, we do not.

17 Q. Were Exhibits 9 through 14 prepared by you or
18 under your direction?

19 A. Yes, they were.

20 Q. And in your opinion, is the granting of this
21 application in the interests of conservation and the prevention
22 of waste?

23 A. Yes, it is.

24 Q. And finally, if -- really, if the well can't be
25 drilled, do you believe that Nadel and Gussman's correlative

1 rights will be adversely affected?

2 A. Yes, we do.

3 MR. BRUCE: Mr. Examiner, I move the admission of
4 Exhibits 9 through 14.

5 MR. BROOKS: 9 through 14 are admitted.

6 MR. BRUCE: Pass the witness.

7 MR. BROOKS: Mr. Warnell?

8 EXAMINATION

9 BY MR. WARNELL:

10 Q. Mr. Germann, can you tell me anything -- let's
11 see. Let's go back to probably Exhibit 10 -- can you tell me
12 anything about that well there in Section 33 in the northwest
13 quarter?

14 A. Yes, sir, I can. It was a -- I'll tell you
15 exactly who drilled it. I believe it's a Bass well, but if you
16 give me a moment, I'll check that. It was a deep penetration
17 and drilled several years ago. It produced -- it did not
18 produce any measurable Morrow reserves, but it did produce
19 almost 100 million, so less than a tenth of the BCF out of the
20 Strawn.

21 And I will tell you exactly -- but I believe that is
22 a Bass well. Yeah. It was actually plugged by -- operated --
23 it has not produced since 1980, and it was actually -- a
24 company called NRN Petroleum and with Golden Federal #1. But
25 I'm pretty sure that they did not drill this well, sir. That's

1 the last operator, but it has not produced since '80.

2 MR. WARNELL: I don't think I have any other
3 questions at this time.

4 EXAMINATION

5 BY MR. BROOKS:

6 Q. Okay. Looking at Exhibits 13 and 14, I want to
7 be sure I'm correctly correlated on those. I take it that the
8 bold black line which encloses a half section on Exhibit 13 is
9 actually the west half of Section 32 of 20 South, 30 East?

10 A. You're correct, sir.

11 Q. Okay. And the yellow highlighted area on
12 Exhibit 14 is the same area as that enclosed in the bold black
13 line on Exhibit 13?

14 A. Yes, sir, it is. And the -- it kind of goes --
15 you see a line that's sort of on Exhibit 14, sir?

16 Q. Yeah.

17 A. That goes down through 30 through 31 and it kind
18 of goes away because the yellow overprints it.

19 Q. Yes.

20 A. That corresponds -- we've digitized in that line
21 on Exhibit 13 that goes straight through, kind of cuts through.
22 That would be the barren versus measurable line on Exhibits 13
23 and 14.

24 Q. Now, if I understand correctly, the area -- the
25 blue or purple color on Exhibit 13 is the measured Potash area?

1 A. Yes, sir. That's correct.

2 Q. So that the better Potash prospects are to the
3 north and west of this location versus to the south and east?

4 A. Exactly correct.

5 Q. Now, is the line with the circles on it on
6 Exhibit 14, is that the cross section that you've used on
7 Exhibit 9?

8 A. Yes, sir, it is.

9 Q. So the wells that are shown by the large circles
10 of the -- that are on that line are the wells that are included
11 in your logs, that you have on your logs?

12 A. Yes. That heavy dark gray -- there's a lot of
13 gray on there, I apologize -- the little circles is the cross
14 section. The larger circles, of course, are not on there.
15 They're just illustrating the half-mile radius. So it's a
16 three-well cross section. Including the proposed location, it
17 would be a four-well cross section. Yes, sir.

18 Q. Okay. Now, it looks like there is a well up in
19 the southwest quarter of 29 to the north of this location.
20 What can you tell me about that well?

21 A. Yes, sir. That was -- what we've elected to do
22 on this map, because many of these wells you can see are
23 deviated, especially in Section 29 and 28 --

24 Q. Right.

25 A. -- and you see that we've put the -- since this

1 is a Morrow prospect, we put the symbol correlating to the
2 Morrow at the bottom hole location. So the one you just asked
3 about shows as a dry hole. The one in the northwest shows as a
4 dry hole. And there's a completed one that shows in the
5 northeast of 28.

6 The surface locations were drilled basically from the
7 southeast quarter over to the bottom hole. But we did not put
8 the half-mile radius around that because they penetrated the
9 Potash near the -- because Potash is so shallow, of course, we
10 put the circle around the vertical well, not the bottom hole
11 location. Does that make sense.

12 Q. Well, I'm not sure I understand. But -- for the
13 well in 29, the surface location is up in the northwest of the
14 southeast?

15 A. Yes, sir, that's correct, by that other gas well.
16 That was a vertical gas well there. It was a Strawn and Morrow
17 producer in the southeast quarter. They moved over on that
18 same pad and drilled directionally to the southwest.

19 Q. And so the circle with the four prongs coming out
20 from it --

21 A. Yes.

22 Q. -- in what appears to be the southeast of the
23 southwest, that is a bottom hole location --

24 A. Correct. That's correct.

25 Q. -- and the penetration there is beneath the

1 Potash?

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

3 Q. Okay. Nevertheless, it appears that virtually
4 all of the -- well, let's see. Yeah. All of the area to the
5 north end, though, is already going to be within the circle for
6 the Yates State #1; is that correct?

7 A. Yes, sir.

8 Q. Now, the Yates State #1 is the Strawn well?

9 A. That's correct. It did penetrate the Morrow, but
10 has never produced from the Morrow or never perforated the
11 Morrow. It did have a couple of drill stem tests when it was
12 originally drilled, but has never perforated the Morrow. It
13 has always been a Strawn well since it was completed in '75.

14 Q. Now, a Strawn well would be a deep well in terms
15 of the classification in order R-111(p)?

16 A. Yes. That's exactly correct, sir.

17 Q. And then the well, then, to the south that's a
18 green dot in Section 32; what well is that?

19 A. That is also an older well. Interesting enough,
20 it did -- the logs did not penetrate the Yellow zone that the
21 BD State #2 is producing from. It did see the Upper Morrow.
22 It was not completed in the Morrow. And it is currently, I
23 believe, plugged or could be an observation well by the State,
24 actually. But it has not produced any hydrocarbons from the
25 Strawn or the Morrow.

1 Q. Do you know the name of that well?

2 A. Yes, sir. Let's see. It's another Yates
3 State #1. Sorry about that.

4 Q. That's also called the Yates?

5 A. The Yates State #1, and it was drilled by Stolz,
6 S-t-o-l-z.

7 Q. Our director would probably be familiar with that
8 well.

9 A. And on the land map, you'll see that it is shown
10 as a plugged and abandoned well.

11 Q. Okay.

12 A. And it's never, according to the public data,
13 produced from the Strawn or the Morrow. But it was a deep test
14 that went through most of the Morrow section, but not the
15 entire Morrow section and, of course, through the entire Strawn
16 section.

17 Q. Okay. And it looks like there's a well over in
18 Section 31. What well is that?

19 A. Yes, sir.

20 Q. And I'm talking about the one in what appears to
21 be the southeast and the northeast?

22 A. Yes, sir. That was a Texas Independent Petroleum
23 well, the Low Fed #1. It also is a deep test and it produced
24 hydrocarbons from the Strawn but not the Morrow.

25 Q. Okay. Is that one P & A'd?

1 A. Yes, sir, it is, according to public data. Yes,
2 sir.

3 MR. BROOKS: Okay. I think that's all my questions.
4 Pass the witness.

5 REDIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. I do have a couple of follow-up questions on
8 Exhibit 14. I just want to clarify, Mr. Germann, the well in
9 the southeast quarter of Section 29, that was drilled some 30
10 years ago, I believe --

11 A. Yes, sir.

12 Q. -- as Morrow?

13 A. Yes, sir.

14 Q. And produced in the Morrow and subsequently
15 completed up hole in the Strawn?

16 A. Right. The producer in the southeast of 29.
17 Yes. That's exactly right. It's an 8.4 BDF Strawn well --
18 about three-tenths from the Morrow before they plugged back to
19 the Strawn.

20 Q. And that's operated by VF Petroleum?

21 A. Yes, that is correct. That is correct.

22 Q. I think it's still producing, isn't it?

23 A. That one is still producing, yes.

24 Q. And finally, in the southwest quarter of
25 Section 32, the well -- you said it was a monitoring well? A

1 water monitoring well?

2 A. Yes. Shallow water monitoring well.

3 Q. Thank you. That's all I have, Mr. Germann.

4 MR. BROOKS: Okay, now, if I understood correctly,
5 you said that that well was originally a deep well that was
6 drilled to the Morrow, the one in the southwest quarter of 32?

7 THE WITNESS: Yes, sir, it was.

8 MR. BROOKS: It's now a shallow well that's been
9 plugged back?

10 THE WITNESS: Correct.

11 MR. BROOKS: Okay. Just to clarify the record.
12 Thank you.

13 MR. WARNELL: It was plugged back to the Strawn, you
14 say?

15 THE WITNESS: It was attempted in the Morrow and
16 Strawn, but now it's -- I think the only completion it ever
17 made, economic -- well, you may not think it was economic, it
18 was Wolfcamp -- which would have been shallow. It's even
19 plugged up further from that now.

20 MR. BROOKS: Thank you. If there's nothing further,
21 Case No. 14141 will be taken under advisement. Thank you.

22 [Hearing concluded.]

23 * * * * *

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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 _____

_____, Examiner

Oil Conservation Division

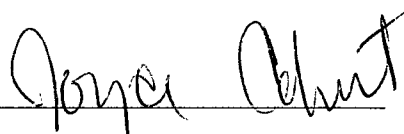
PAUL BACA PROFESSIONAL COURT REPORTERS

REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.

Signed this 29th day of May, 2008.



JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
)
2 COUNTY OF BERNALILLO)

3
4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-25 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings, I
10 was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 29th day of
12 May, 2008.

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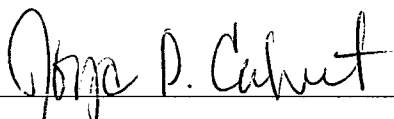
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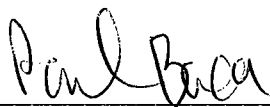
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