

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. 11,087
)
APPLICATION OF NEARBURG)
EXPLORATION COMPANY)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

NOV
1994

September 15th, 1994
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, September 15th, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine, RPR, Certified Court Reporter No. 63, for the State of New Mexico.

ORIGINAL

* * *

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September 15th, 1994
 Examiner Hearing
 CASE NO. 11,087

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A P P E A R A N C E S

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By: W. THOMAS KELLAHIN

* * *

1 EXAMINER STOGNER: Hearing will come to order.

2 Call next case, No. 11,087, which is in the
3 middle of page 2.

4 MR. CARROLL: Application of Nearburg Exploration
5 Company for compulsory pooling, Eddy County, New Mexico.

6 EXAMINER STOGNER: Call for appearances.

7 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
8 the Santa Fe law firm of Kellahin and Kellahin, appearing
9 on behalf of the Applicant.

10 I have two witnesses to be sworn.

11 (Thereupon, the witnesses were sworn.)

12 EXAMINER STOGNER: Mr. Kellahin? Were you
13 expecting some opposition? You were looking around.

14 MR. KELLAHIN: No, sir.

15 EXAMINER STOGNER: Okay.

16 MR. KELLAHIN: We call as our first witness Mr.
17 Bob Shelton.

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

21 DIRECT EXAMINATION

22 BY MR. KELLAHIN:

23 Q. Mr. Shelton, would you please state your name and
24 occupation?

25 A. Robert G. Shelton, landman.

1 Q. Mr. Shelton, on prior occasions, have you
2 qualified before the Division as an expert witness in
3 petroleum land matters?

4 A. Yes, sir, I have.

5 Q. As part of those duties for your company, have
6 you made an investigation of the ownership for the spacing
7 unit for this proposed well?

8 A. Yes, sir, I have.

9 Q. And based upon that search, have you made an
10 effort to contact and formulate a voluntary agreement with
11 all of those parties?

12 A. Yes, sir, we have contacted them both verbally
13 and through written correspondence.

14 Q. Has all of that activity been conducted by you
15 personally?

16 A. Yes, sir, it has.

17 MR. KELLAHIN: We tender Mr. Shelton as an expert
18 petroleum landman.

19 EXAMINER STOGNER: Mr. Shelton is so qualified.

20 Q. (By Mr. Kellahin) If you'll take Exhibit Number
21 1, identify that for us, and give us a general idea where
22 your proposed spacing unit is located.

23 A. This is a photocopy of a land map of Township
24 19-25, which is to be used as just a general locator map.
25 It shows it's the -- in yellow the spacing unit, northwest

1 quarter of Section 22, which we are attempting to pool.

2 It shows with the dot the location of the
3 proposed Cisco Canyon well we're going to drill, 1980 from
4 the north, 660 from the west, which is a standard location.

5 Off to the west there in Sections 18 through to
6 the south, 31 and 20 and 29, you'll see a lot of well
7 locations which are a main part of the North Dagger Draw-
8 Pennsylvanian Pool, which this well will be included in
9 that pool.

10 Q. Your primary objective for the well is the North
11 Dagger Draw-Pennsylvanian Pool?

12 A. That is correct.

13 Q. I think the Examiner is generally familiar with
14 that pool. When we look at that pool, where in relation to
15 that pool is your proposed location?

16 A. Our well would be in the eastern extension of
17 that pool.

18 Q. That's north and east of the main body of the
19 North Dagger Draw?

20 A. That's correct.

21 Q. Apart from the North Dagger Draw, the Cisco, if
22 you will, you're seeking to pool, though, all formations
23 from the top of the Wolfcamp to the base of the Cisco?

24 A. That is correct, anything that would normally be
25 spaced on 160 acres.

1 Q. And your well location is standard as to the
2 North Dagger Draw rules?

3 A. That is correct.

4 Q. Let's look specifically at the spacing unit, if
5 you'll look at Exhibit Number 2.

6 A. All right.

7 Q. Describe that for us.

8 A. This is a diagram of the Section 22 with the
9 northwest quarter colored in yellow, Tracts A, B, and C
10 with tract ownership set forth.

11 Tract A is Panhandle Royalty, Kerr-McGee, Yates
12 Petroleum, Nearburg Exploration Company.

13 Tract B is Nearburg Exploration Company, 100
14 percent. That's at the well location tract.

15 Tract C is Yates Petroleum, James T. Jennings,
16 Tierra Oil Company, and Nearburg Exploration Company.

17 And then down below the tract ownership is the
18 northwest quarter-quarter unit ownership, which is a
19 proportionate combination of all the tract ownership. And
20 you can see the relative interest on a percentage basis of
21 each of the participants.

22 Q. You control Tract B, the drill site?

23 A. Yes, we own 100 percent of Tract B.

24 Q. And that's the drill site. Now, what is the
25 urgency you have, whereby you can no longer continue your

1 efforts to consolidate the tracts on a voluntary basis?

2 A. We're very concerned about this proration unit.
3 You'll notice under Tract C, we have one lease that expires
4 December 12, 1994. We've attempted several times to renew
5 that lease or extend it, and it is not extendable, 37.5 net
6 acres.

7 So we would have to be physically on location,
8 drilling the well, by that date.

9 If we receive an order within the next 30 days,
10 we'd still have to give participants a 30-day period in
11 which to elect.

12 And so we're very concerned about getting this
13 unit put together and a drilling rig on location.

14 Q. Let's use this exhibit, Mr. Shelton, to have you
15 identify for us at this point those participants which, as
16 of today, have not formally committed in writing their
17 interest.

18 A. Yates Petroleum Corporation has indicated they
19 will participate. We have not gotten any voluntary
20 agreement with Yates, although they have indicated they
21 will participate.

22 James C. Jennings, we've received nothing from
23 him yet.

24 Tierra Oil Company, we have received an approved
25 AFE from him.

1 Panhandle Royalty Company, we've received an
2 approved AFE, and they have executed an operating
3 agreement.

4 And Kerr-McGee we have no agreement with at this
5 time.

6 Q. Are any of those entities or individuals now
7 sufficiently committed to participation that you can
8 dismiss them as of today from the pooling case?

9 A. Only Panhandle Royalty Company.

10 Q. Let's turn to your formal efforts with regards to
11 submitting a written request for the spacing unit and
12 specifically proposing this well along with an AFE.

13 Do you have documents that demonstrate that?

14 A. Yes. I have a letter dated August 17, 1994,
15 which is addressed to all the parties who have the right to
16 participate. You'll notice that there's return receipt
17 cards with each one of those.

18 Some of these people own mineral interests, and
19 some of them own working interests by virtue of the
20 leasehold interest.

21 In each case, they were given -- the people that
22 have a leasehold interest were given the opportunity to
23 participate in the well. They were furnished an operating
24 agreement with Nearburg Producing Company listed as the
25 operator.

1 Additionally, they were furnished an AFE,
2 estimated cost of the well, and they were given the
3 opportunity and asked to participate in the well or make
4 their acreage interest available for farmout. We're
5 obtaining an overriding royalty interest and a conversion
6 to a back-in after payout.

7 Those parties, Mr. Jennings, Kerr-McGee Oil
8 Company, who own the mineral interest, they were offered
9 the opportunity either to issue an oil and gas lease or
10 participate in the drilling of the well.

11 Q. Were you able to contact all the parties that
12 would participate?

13 A. Yes, I was. I contacted all parties subsequent
14 to the date of this letter and prior to the date of this
15 hearing.

16 Q. Let's turn to the contents of the proposed
17 expenditure.

18 A. Okay.

19 Q. That's marked as Exhibit Number 4. Would you
20 identify that for us?

21 A. This is an authority for expenditure, setting
22 forth in reasonable detail what we expect the expenditures
23 of the well to be, both dry hole or to casing point and
24 through completion of the well.

25 It's for the Ross Ranch 22 Number 2 well,

1 designated as an 8100-foot Cisco Canyon test in the Dagger
2 Draw Upper Pennsylvanian Field. It was prepared August 15,
3 1994, just previous to the date of my letter.

4 Estimated spud date was November 15, estimated
5 completion date, December 15. It sets forth a casing point
6 cost of \$343,895, a completion well cost of \$379,090, and a
7 total well cost of \$722,985.

8 Q. What's the process within Nearburg by which this
9 document is prepared?

10 A. An engineer that is familiar and who has
11 participated in the drilling of many of our wells in Dagger
12 Draw has prepared this AFE and furnished it to me for my
13 use in notifying the parties and asking them to elect to
14 participate.

15 Q. Are you knowledgeable about AFEs and actual costs
16 for other operators within this area to drill and complete
17 similar-type wells?

18 A. Yes, sir, I am. I see a lot -- When we are
19 furnished well proposals by other companies, I'm the person
20 that generally receives those proposals and those AFEs, and
21 I have considerable experience in reviewing those AFEs
22 submitted by other companies and also our AFEs as submitted
23 to other companies and being able to judge both -- how they
24 compare.

25 Q. How do those other AFEs and actual costs compare

1 to Nearburg Producing Company's proposed costs for this
2 well?

3 A. This AFE is very much in line with actual -- what
4 we have seen as actual costs on the wells we've drilled and
5 AFEs submitted to us by other companies.

6 Q. Did any of the participants that would have the
7 chance to share in production in this well object to you
8 about any of the items or components of the AFE?

9 A. No, they have not. And in fact, many of them
10 have signed the AFE, although they have not entered into an
11 operating agreement.

12 Yates has signed the AFE, Tierra Oil Company and
13 Panhandle Royalty Company.

14 So the AFE has not been objectionable to anybody.

15 Q. Let's address now something that's slightly
16 different in your operations. The Application was filed by
17 Nearburg Exploration Company?

18 A. That's correct.

19 Q. Yet you're seeking to have Nearburg Producing
20 Company designated as the operator?

21 A. That's correct.

22 Q. Are those two different corporate entities?

23 A. They're two different corporate entities.

24 They're affiliated in ownership. And Nearburg Producing
25 Company is the operating arm for Nearburg Exploration

1 Company. Nearburg Exploration Company owns the leasehold
2 position under which we have the right to drill.

3 Q. Is Nearburg Producing Company a recognized
4 operator in the State of New Mexico?

5 A. Yes, they are. We operate about 105 wells. We
6 operate many wells in the North Dagger Draw Pool, and we're
7 bonded as required by the state and I believe to be a very
8 reputable operator.

9 Q. All right. Let's turn to the question of the
10 overhead charges. Do you have a recommendation to the
11 Examiner as to what level of overhead charges on a drilling
12 well and a producing well basis?

13 A. The original -- the operating agreement that was
14 sent out with our well proposal, you'll see on page 4,
15 lists proposed overhead rates of \$6000 for a drilling well
16 rate, \$600 for a producing well rate.

17 Since that time, we have negotiated with
18 Panhandle Royalty and with Yates Petroleum, and they have
19 agreed and we have agreed to a rate of \$5664 for a
20 producing well rate and \$560 for a drill- -- Excuse me,
21 \$5664 for a drilling well rate and \$560 per month for a
22 producing well rate.

23 Q. \$560 a month producing, and five thousand six
24 hundred --

25 A. -- sixty-four.

1 Q. -- and sixty-four dollars a month --

2 A. -- drilling

3 Q. -- drilling?

4 A. Drilling well rate.

5 Q. Is it customary for you and other operators to
6 take those initial rates and annually escalate them in
7 accordance with the COPAS bulletin and the attachments to
8 most of the operating agreements?

9 A. Yes, sir, it is.

10 Q. Would you request the Examiner to provide you
11 that opportunity to escalate the costs in a pooling order,
12 if you have to use the pooling order, so that those costs
13 are consistently applied to both consenting and
14 nonconsenting parties?

15 A. Yes, sir, we'd like that opportunity.

16 Q. Have you provided in your exhibits a sample of
17 the proposed operating agreement that has been circulated
18 to these parties?

19 A. Yes, sir, I have. The operating agreement is
20 dated August 12, 1994, designating Nearburg Producing as
21 the operator and covering the contract area of the
22 northwest quarter of Section 22, Exhibit 5.

23 MR. KELLAHIN: In addition, Mr. Examiner, at this
24 point, Exhibit 6 is our certificate of mailing of notice to
25 all those parties for the hearing of the case.

1 Corporation. It probably should be Yates Petroleum, et
2 al., to indicates there is other companies there, for the
3 correct percentages of the total.

4 Myco, Abo and Yates Drilling are involved for the
5 interest shown on Exhibit A to the operating agreement.

6 Q. And that's not a -- It doesn't appear that that
7 is an even breakout, either, except that Yates drilling,
8 Abo, and Myco both share it looks like a little over half a
9 percent.

10 A. What generally they do, and what we believe to be
11 the case here, is that the Yates Petroleum Corporation owns
12 70 percent of the total interest with Yates drilling, Abo
13 and Myco own ten percent each of the total interest, and
14 that's --

15 Q. But when you convert --

16 A. -- 20 percent.

17 Q. -- Yates Petroleum they're also acting, as you
18 understand, for the other entities?

19 A. Yes, they are. They speak for them. All the
20 contact people are exactly the same. They all are
21 addressed. And as you can see, our proposal letter to
22 them, all of the companies were actually sent notes
23 individually. However, they're sent to the same location
24 and to the same people.

25 Q. In looking at your Exhibit 3, was this the first

1 contact or written contact that you've had with each of the
2 interest owners?

3 A. The first written contact, yes, sir, it was. I
4 have talked to them about this area in our plans for
5 drilling a well in this area.

6 As you know, we also have a well proposed in the
7 south half of Section 22. And they were aware that we were
8 drilling a well in the south half and aware also that we
9 were going to be drilling a well in the northwest quarter.

10 It's the first written contact we've had, not the
11 first verbal contact.

12 Q. And this is for a well to be drilled in the
13 northeast quarter or -- I'm sorry, what unit letter or what
14 quarter-quarter section?

15 A. It would be unit F -- no, E, excuse me, E. It
16 would be the southwest quarter, northwest quarter. And a
17 northwest quarter spacing unit.

18 Q. Do you have anything or -- in your capacity as a
19 landman, when a permit to drill is filed with the state or
20 the federal entity, do you have anything to do with that?

21 A. Yes, sir. Generally, we review those permits, I
22 do, before they're submitted.

23 We also go out there watch the staking of the
24 well in most cases to verify the location and to see if
25 there's any surface problems with the location before it's

1 submitted to the BLM and also submitted to the state.

2 Q. Do you know if this well -- or when the APD was
3 filed with the state in this case?

4 A. The APD on this particular well was filed some
5 time ago, as much as nine months ago, I believe. And it's
6 been renewed, and it is still in effect at this point. But
7 it was filed quite a while ago, I understand.

8 And the location was staked quite a while ago
9 also.

10 Q. Is there any reason why the well was staked that
11 far back but the first written correspondence with the
12 interest owners wasn't until August of -- or last month?

13 A. No particular reason, other than there's been
14 other development drilling in the area that's led to our
15 final determination to drill this well.

16 No, no other reason in particular.

17 Q. So this is somewhat of a -- how would you say? --
18 an orderly development --

19 A. Yeah.

20 Q. -- process that other wells are surrounding, and
21 then this was your next prospect at this time?

22 A. Right, one that we'd like to drill.

23 It is put ahead a little bit of development in
24 normal course because of this lease expiration date, which
25 is, you know, a significant reason for drilling the well

1 right now.

2 EXAMINER STOGNER: Okay. I have no other
3 questions of this witness.

4 Counsel?

5 MR. CARROLL: No.

6 EXAMINER STOGNER: Mr. Kellahin?

7 MR. KELLAHIN: No, sir.

8 EXAMINER STOGNER: He may be excused.

9 MR. KELLAHIN: Call at this time, Mr. Examiner,
10 Jerry Elger.

11 EXAMINER STOGNER: Mr. Kellahin?

12 MR. KELLAHIN: Mr. Examiner, the geologic display
13 is marked as Exhibit 7. It's a montage that has two parts
14 to it. The left side obviously is a cross-section. On the
15 right, we have a structural interpretation.

16 JERRY B. ELGER,

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

19 DIRECT EXAMINATION

20 BY MR. KELLAHIN:

21 Q. All right, sir, would you please state your name
22 and occupation?

23 A. Jerry B. Elger. I'm a geologist.

24 Q. Mr. Elger, on prior occasions have you testified
25 before the Division as a geologist?

1 A. Yes, I have.

2 Q. And does what Examiner Stogner is reviewing in
3 terms of Exhibit 7 represent your work?

4 A. Yes, it does.

5 MR. KELLAHIN: We tender Mr. Elger as an expert
6 petroleum geologist.

7 EXAMINER STOGNER: Mr. Elger is so qualified.

8 Q. (By Mr. Kellahin) Let me have you direct your
9 attention, sir, to the cross-section portion of the display
10 for just a moment so we can identify it.

11 If you'll begin on the far left side at A and
12 then move to the right to A', identify for us the three
13 wells involved in the cross-section.

14 A. These are three wells that were drilled with
15 Morrow, Pennsylvanian Morrow, sands as objectives.

16 In the course of drilling to that objective, all
17 three wells penetrated through the Cisco Canyon dolomite
18 reservoir.

19 All three wells basically had oil and gas shows.

20 Let me restate that. The well in the center of
21 the cross-section, drilled by Anadarko, was drilled only as
22 a Cisco Canyon objective. It did not penetrate to the
23 Morrow.

24 Q. When we look at these logs, what portion of them
25 do you anticipate to be the point in which you want to test

1 for production out of the Cisco?

2 A. We would like to test the upper part of the
3 dolomite section.

4 We'll basically be drilling a twin or very close
5 to a twin to the Anadarko well that's in the center of the
6 cross-section.

7 The Cisco Canyon reservoir in that wellbore is
8 dolomite. There's no limestone section present, which
9 limestone represents nonreservoir rock. That well has
10 encountered dolomite at the top of the Cisco Canyon
11 carbonate reservoir all the way to the base.

12 Perforations -- each of these wells was
13 production-tested -- In the depth column of each wellbore
14 is red marks, indicates where those wellbores were
15 production tested in the Cisco Canyon.

16 Q. Let's turn to the structure map, and then we can
17 come back to the cross-section, but let's look at the
18 structure map portion of the montage, and describe the
19 structural significance to you involved in this portion of
20 the North Dagger Draw pool.

21 A. Structurally, the well in the far left, A', is --
22 represents the well that penetrated the Cisco Canyon
23 structurally highest.

24 Q. You mean at A?

25 A. At A.

1 Q. Yeah, on the far left?

2 A. And the corresponding east end of the
3 cross-section, the Morris Antweil B&B well Number 1,
4 penetrated the top of the dolomite reservoir, is
5 structurally the lowest.

6 Those two wells at A and at A' drill stem tested
7 the dolomite reservoir when it was first encountered, and
8 in each case there was hydrocarbon shows present, and drill
9 stem tests were similar to other drill stem tests performed
10 on other wells back in the main part of the Dagger Draw
11 reservoir.

12 Q. I think the Examiner is generally familiar with
13 the problem of the oil-water contact within not only North
14 Dagger Draw but south Dagger Draw. Is that an issue in
15 this particular portion of the pool?

16 A. It is.

17 Q. Describe for us how you would illustrate that to
18 the Examiner.

19 A. This cross-section is a structural cross-section
20 and the subsea datum that each of these wells has been hung
21 on is minus 4200. You see that datum is displayed on the
22 cross-section.

23 Roughly at minus 4250 to 4300, somewhere in that
24 range, is where -- below which the Cisco Canyon dolomite
25 reservoir section is typically only water-bearing.

1 So what I'm saying is that you have to have
2 dolomite section structurally high, to minus 4250 to 4300,
3 to make any kind of an oil well in the Cisco Canyon
4 dolomite.

5 Q. When you look at a proposed Cisco Canyon location
6 within your spacing unit, the northwest quarter of your
7 section, can you definitively determine a point within that
8 spacing unit for which you will not be exposed to water
9 encroachment?

10 A. Well, primarily, the west half, the west half of
11 that proration unit.

12 Q. That gives you your best opportunity?

13 A. It does, it does.

14 The Anadarko well, and I'll go back to that
15 again, did not production-test the upper part of the
16 dolomite reservoir that was encountered in that wellbore.
17 It perforated below 4250. In fact, it perforated below
18 4300.

19 And, again, the perforations are marked on the
20 depth column in that wellbore.

21 That well is currently a water disposal well in
22 those perforations that are marked on that well log.

23 There were oil shows encountered in production-
24 testing the dolomite prior to the conversion to a saltwater
25 disposal well.

1 The well has never produced the reserves from the
2 Cisco Canyon oil reserv- -- Oil was never commercially
3 produced from that wellbore. It was used exclusively as a
4 saltwater disposal well.

5 We think the upper part of the dolomite reservoir
6 in that wellbore would contain commercial hydrocarbons, oil
7 and gas.

8 Q. It's never been tested though --

9 A. It's never been tested --

10 Q. -- and you don't know?

11 A. -- but we think that the dolomite reservoir --
12 The dolomite has good porosity, a good porosity section to
13 it. And with oil shows as low as you see in the
14 perforations in that wellbore, there's a substantial -- the
15 potential for a substantial hydrocarbon column in the upper
16 part of the Cisco Canyon in that wellbore.

17 That's why we're drilling -- the drill site has
18 been selected on the basis, primarily, of this Anadarko
19 well.

20 Q. There's no assurance at this location, though,
21 that you're going to be beyond water difficulties in the
22 Cisco formation?

23 A. No, there's not. In fact --

24 Q. The Examiner is authorized to award a penalty
25 component to a pooling order of up to 200 percent, which

1 means the cost attributable to that owner plus two more
2 times.

3 Within that percentage range, do you have a
4 geologic opinion as to what, in your opinion, would be the
5 appropriate level of risk to assign in this case?

6 A. I would say payout plus 200 percent would be
7 appropriate.

8 Q. And what are the reasons that cause you to form
9 that opinion?

10 A. Well, there still is a certain amount of
11 geological risk involved. There's never been a definition
12 as to how much dolomite above that magical oil-water
13 contact represents sufficient height to attain a commercial
14 amount of reserves.

15 That, in combination with the fact that we really
16 don't know if any damage has been imparted to the Cisco
17 Canyon reservoir by the injecting of water in this Anadarko
18 -- this saltwater disposal well.

19 Q. It's the closest well to you, it's slightly
20 upstructure, and it's being used for disposal?

21 A. Yes. And there's a significant risk that the
22 upper part of the Cisco Canyon dolomite reservoir is in
23 vertical communication with the lower section in which
24 they're injecting and has thereby damaged or moved
25 hydrocarbons out of the upper part of the section as well

1 as the lower.

2 Q. Are there wells on this map that demonstrate
3 productive Cisco oil wells that are commercial?

4 A. Not on the cross-section, but there is on the
5 map.

6 Q. All right. How far do we have to go to find
7 wells of that quality?

8 A. The southwest southwest of Section 21 is
9 commercial.

10 The well in Section 20 is commercial.

11 Yates is drilling as an Upper Penn or a Cisco
12 Canyon objective a well in the northwest northwest of 28.
13 I would anticipate it would be commercial.

14 Q. All those wells are higher on structure and
15 moving westward towards the heart of the productive
16 commercial wells in North Dagger Draw?

17 A. That's correct.

18 There is a well also in the northwest quarter of
19 Section 21, which Yates is the operator but Nearburg has an
20 interest, and it's labeled "new well." The current daily
21 rates that we see from that wellbore, which are basically
22 on strike with this Anadarko well in terms of the top of
23 the dolomite reservoir, that well, the initial indications
24 are -- the early production life of that well indicates it
25 will be commercial.

1 MR. KELLAHIN: All right, sir. That concludes my
2 examination of this witness.

3 We move the introduction of Exhibit Number 7.

4 EXAMINER STOGNER: Exhibit Number 7 will be
5 admitted into evidence.

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. In looking at the cross-section, Mr. Elger, you
9 pointed out the commercial wells, but there's also some
10 other wells. In particular, the one down in Section 27.
11 Now, you have Morrow and then you have Upper Penn oil at
12 5549. Is this a dual completion or -- ?

13 A. No. That well was operated by Nearburg Producing
14 company. Both the wells that you're alluding to in Section
15 -- the east half of 22 and the west half of 27 were both
16 drilled as Morrow objective penetrations produced -- You
17 see the production history from the Morrow from both of
18 those wellbores. And when the Morrow became noncommercial,
19 they were plugged back to production-test the Cisco Canyon
20 reservoir.

21 In both instances, the wells were structurally
22 too low to obtain any kind of commercial production.

23 The cumulative production history for each of
24 those wells is displayed in terms of the oil, gas, and
25 water, and you can see that the amount of water moved in

1 each of those wells, relative to the amount of oil,
2 basically -- strongly suggests that there's not enough
3 dolomite section present in each of those wells in the
4 hydrocarbon-bearing column.

5 Both of those wells were tested with a
6 submersible pump, which is the mechanism that's used to
7 produce these wells out here to obtain commercial types of
8 production. So those are valid tests.

9 The well at A is an old one, on the
10 cross-section. It was drilled in 1973, again as a Morrow-
11 objective test, Anadarko.

12 And the production -- the perforations you see,
13 right -- roughly around 4200 feet in that well, subsea --
14 that well was not tested with a submersible pump, and
15 that's why it was eventually abandoned.

16 We think a twin to that well would produce
17 commercial reserves, with the utilization of a submersible
18 pump.

19 Q. Now, the Anadarko well, is that still being
20 operated by Anadarko, or is that Nearburg?

21 A. I believe it is, yes.

22 Q. Okay. Now, was this drilled as a Morrow test --

23 A. No.

24 Q. -- or was it drilled as an SWD?

25 A. It was drilled -- Well, I'm not familiar with

1 what Anadarko had in mind when they drilled it. I think it
2 may have been drilled strictly as a SWD.

3 Q. Do you know when they started injection, roughly?

4 A. Shortly after the dates of the log here, which
5 would be October of 1984.

6 I don't recall the case number, but I do know
7 that Nearburg opposed -- At the time of their application
8 for that wellbore, Nearburg did oppose the conversion of
9 this well to an SWD.

10 And the application, Anadarko's application, was
11 not denied.

12 Q. Did it go to hearing?

13 A. It went to hearing, and it went to de novo.

14 EXAMINER STOGNER: Any other questions of this
15 witness?

16 Mr. Kellahin?

17 MR. KELLAHIN: That concludes our presentation,
18 Mr. Examiner.

19 EXAMINER STOGNER: Anything else further in Case
20 11,087?

21 If not, then this case will be taken under
22 advisement.

23 * * *

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CERTIFICATE OF REPORTER

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

I, Deborah O'Bine, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that my notes were transcribed under my supervision; 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.

Deborah O'Bine

DEBORAH O'BINE
 CCR No. 63

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11087, heard by me on 15 Sept. 1994.

[Signature], Examiner
 Oil Conservation Division