

[illegible]

ASPDEN #2 CISCO PRORATION UNIT

PARTNER-OPERATED W/ CONOCO W.I. = CROSS-HATCHED YELLOW

ORTHODOX CISCO LOCATION WINDOWS IN GREEN

PROJECTION: STATE PLANE
STATE:NM ZONE:8

**MIDLAND DIVISION
MIDLAND, TEXAS**

PROJECT: DAGGER DRAW
AREA / PROJECTION: TMIPROJ
MAP TYPE: BASEMAP PLOT

NORTH DAGGER DRAW
BASEMAP

SCALE: 1:12000 UNITS: FT

DATE: 15-MAR-1995 10:55:34.51



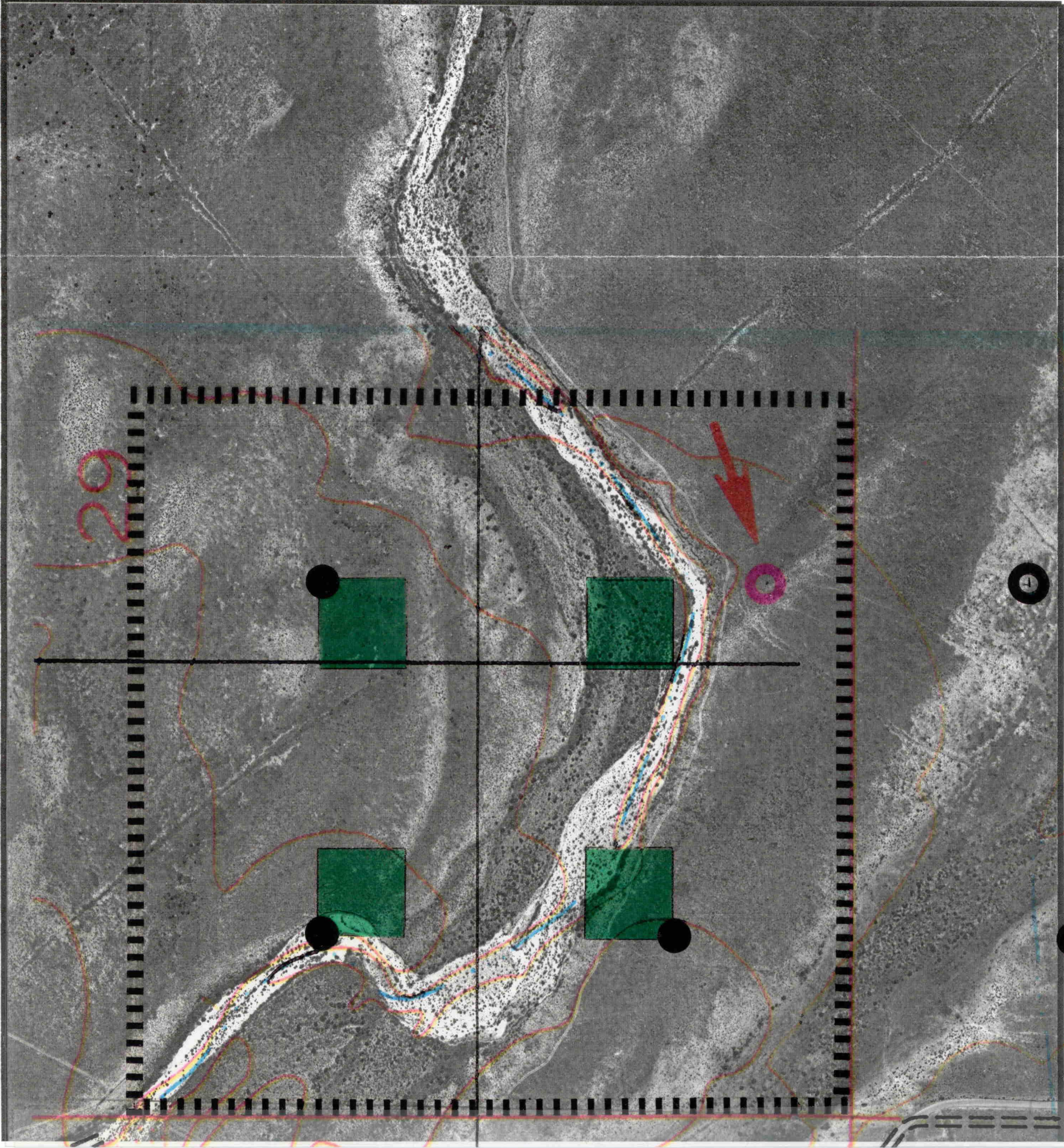
**BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION**

EXHIBIT NO.

CASE NO.: 11235

Submitted by: **Conoco Inc.**

Hearing Date: Apr 6, 1995



Orthodox Cisco Location Windows

||||| Cisco Proration Unit Outline

CONOCO MIDLAND DIVISION

AERIAL PHOTOGRAPH

SURFACE TOPOGRAPHIC MAP (OVERLAY)

SW/4 SECTION 29, T19S, R25E

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

SCALE 1" = 400' (APPROX) DRAWN USGS 7.5'

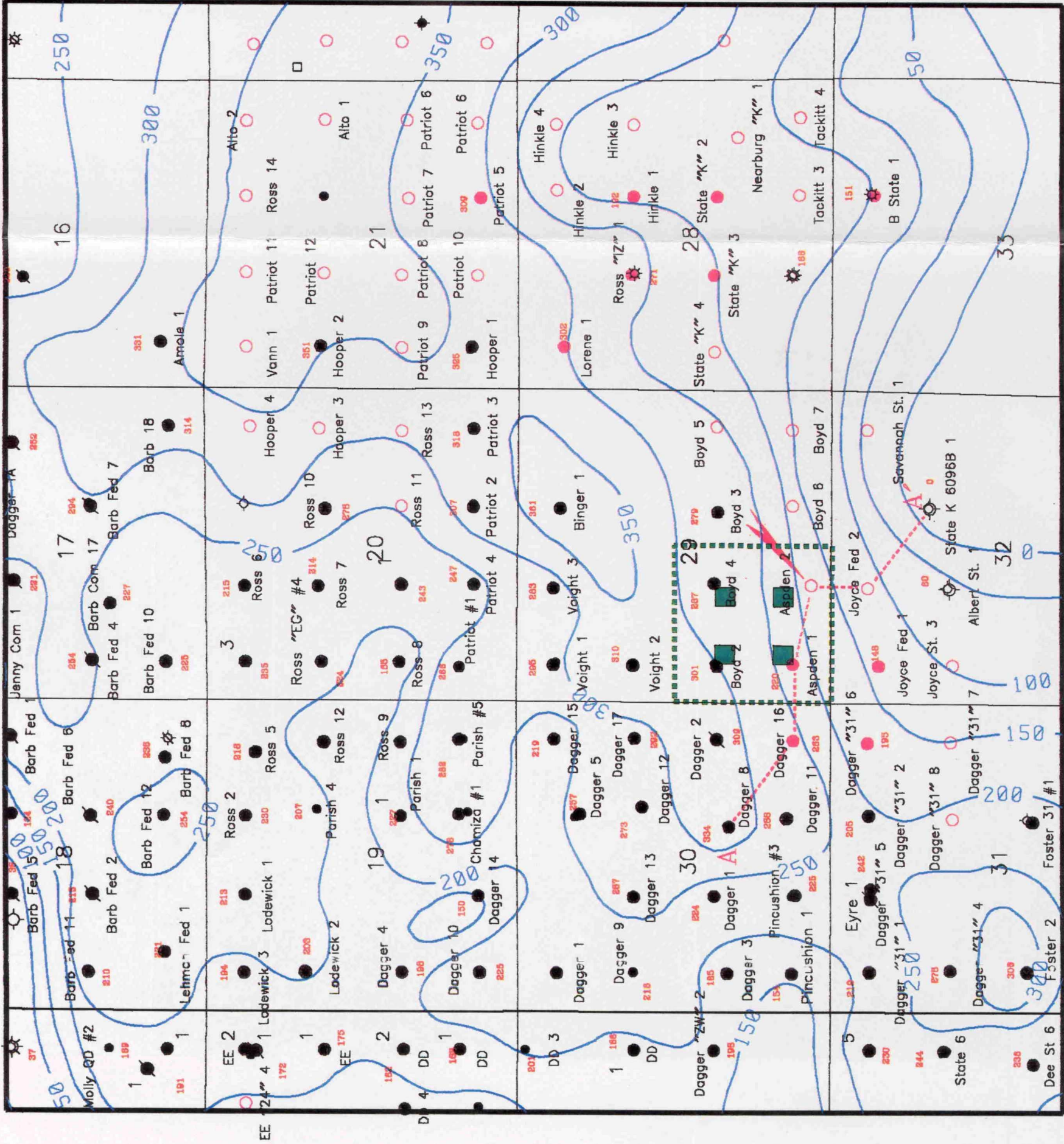
DRAWING

EXHIBIT NO. **2**

CASE NO.: 11235

Submitted by: Conoco Inc.

Hearing Date: Apr 6, 1995



ORTHODOX CISCO LOCATION WINDOWS IN GREEN

ASPEN #2 CISCO PROPRATION UNIT

PROJECTION: STATE PLANE
STATE: NM ZONE: E

MIDLAND DIVISION
MIDLAND, TEXAS

PROJECT: DAGGER DRAW
AREA / PROJECTION: TYPICAL
MAP TYPE: BASEMAP PLOT

CISCO-CANYON DOLOMITE ISOPACH
NORTH DAGGER DRAW FIELD

SCALE: 1:12000 UNITS: FT DATE: 15

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION



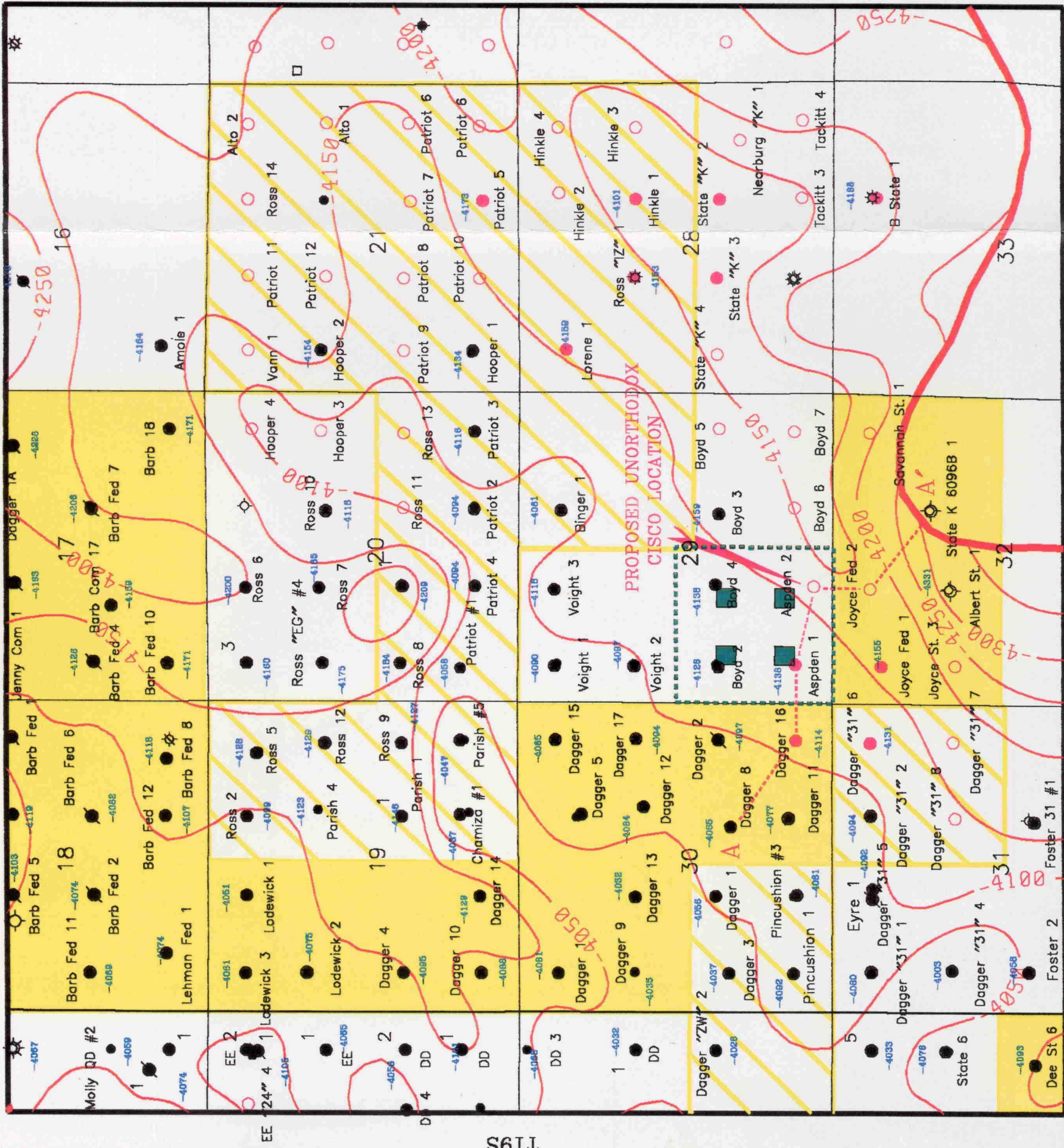
EXHIBIT NO. 3

CASE NO.: 11235

Submitted by: Conoco Inc.

Hearing Date: Apr 6, 1995

R25E



PROJECTION: STATE PLANE
STATE: NM ZONE E

MIDLAND DIVISION
MIDLAND, TEXAS

PROJECT: DAGGER DRAW
AREA / PROJECTION: TYPICAL
MAP TYPE: BASEMAP PLAT

TOP CISCO-CANYON DOLOMITE
NORTH DAGGER DRAW

SCALE: 1:12000 UNITS: FT

DATE:

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO.

CASE NO.: 11235

Submitted by: Conoco Inc.

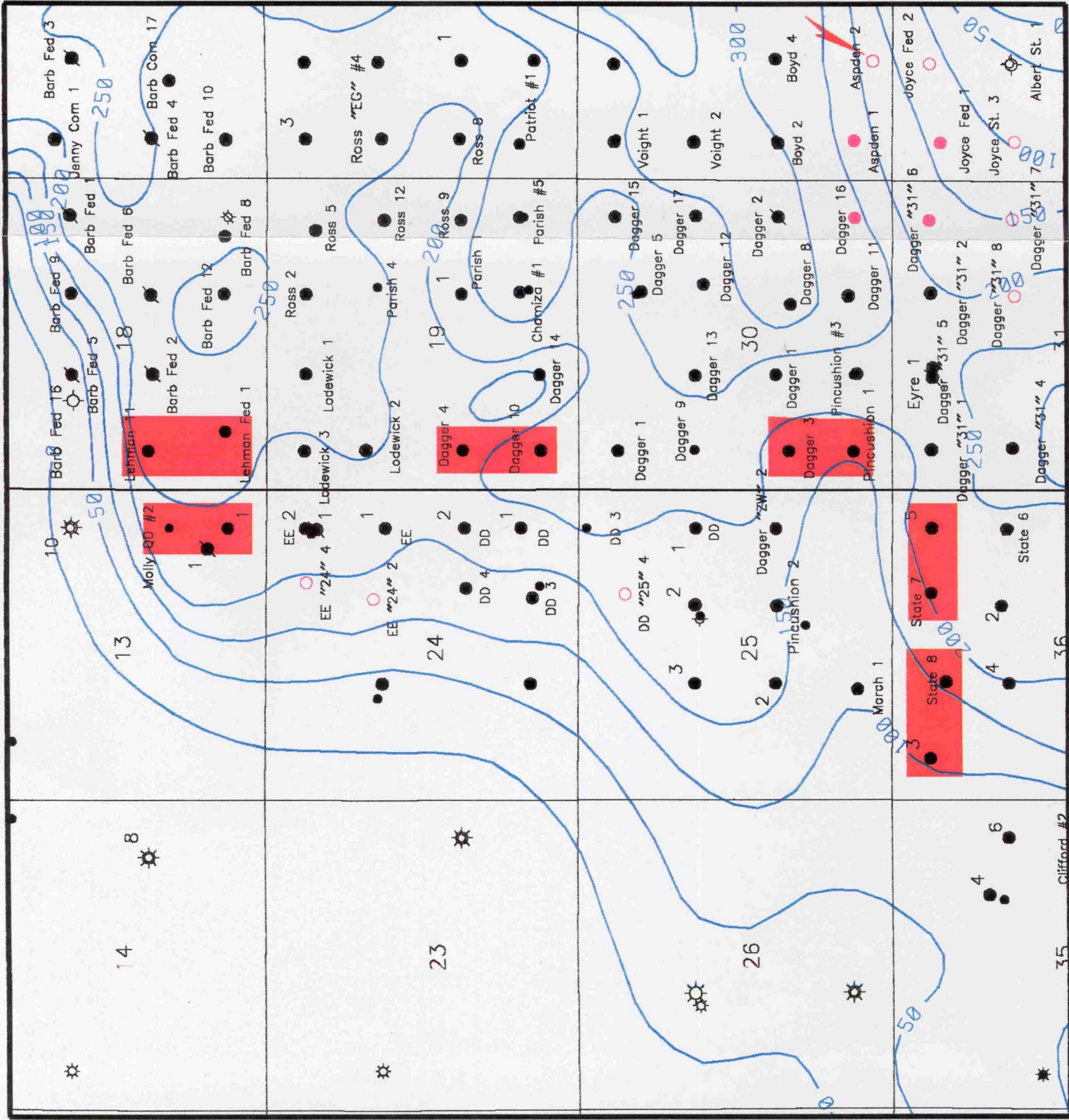
Hearing Date: Apr 6, 1995

4

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

NORTH DAGGER DRAW CISCO WELL INTERFERENCE
BETWEEN OFFSETTING ORTHODOX WELL LOCATIONS

WELL PAIRS HIGHLIGHTED IN RED



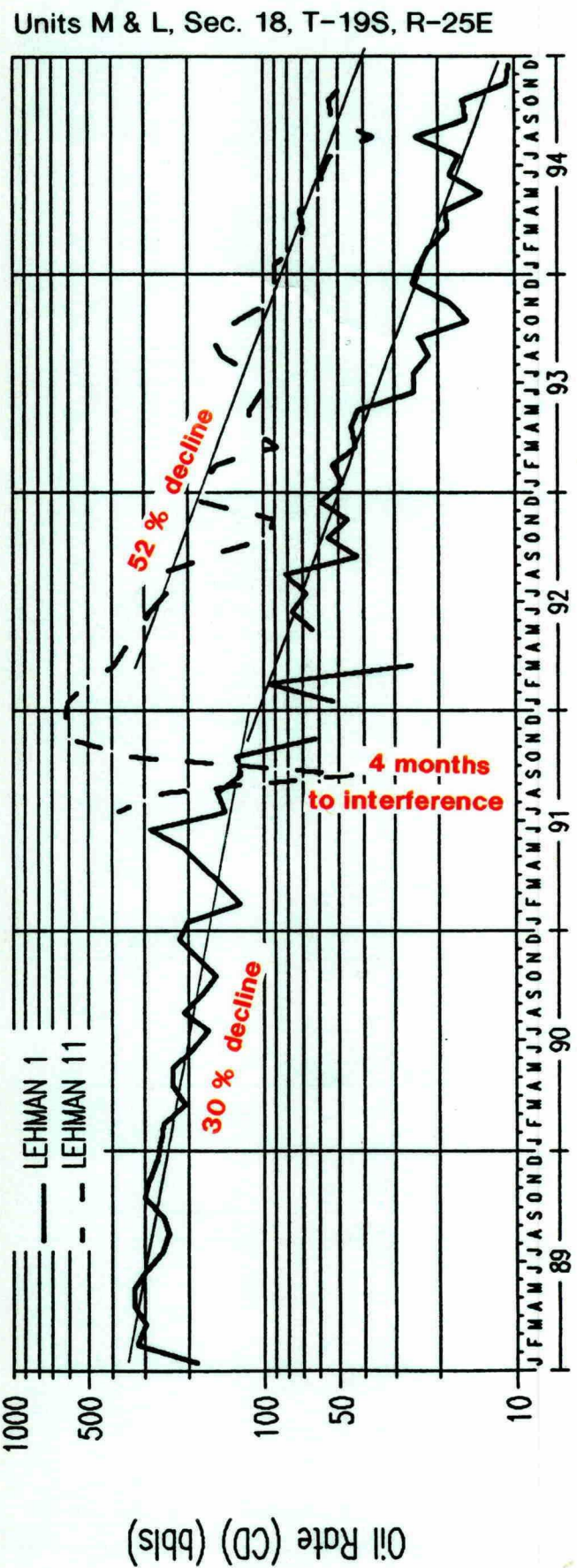
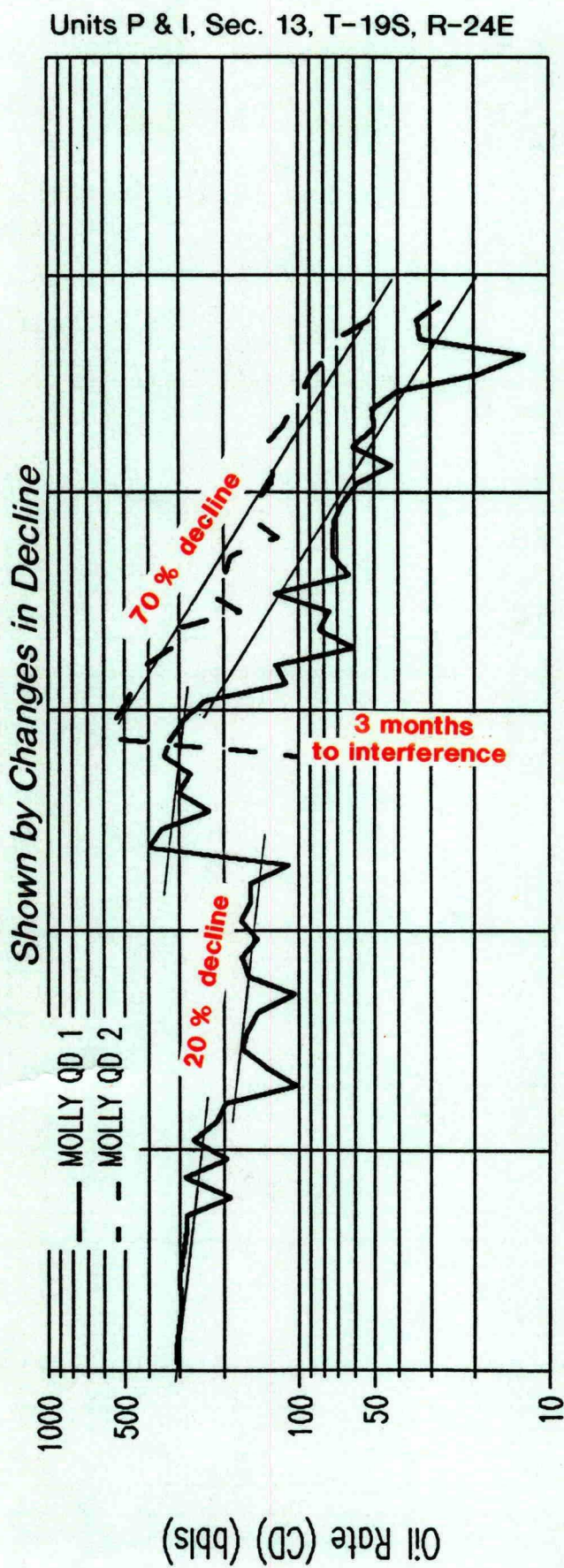
PROJECTION: STATE PLANE SYSTEM: ZONE 2	
MIDLAND DIVISION MIDLAND, TEXAS	
NORTH DAGGER DRAW AND/OR PRODUCTION PROPERTY MAP TYPE: BASEMAP PLAT	
CISCO-CANYON DOLOMITE ISOPACH	
SCALE: 1"=200' JAN-77	DATE: 15-JAN-1995 10:55:24.51



BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

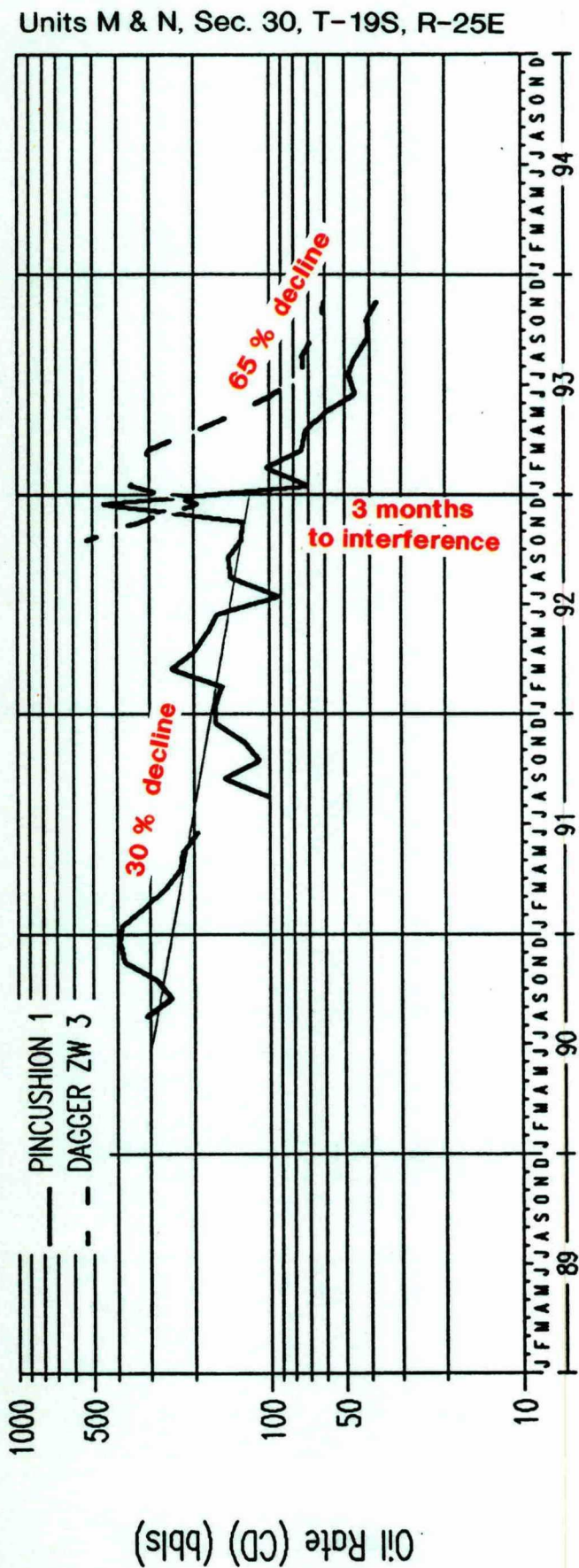
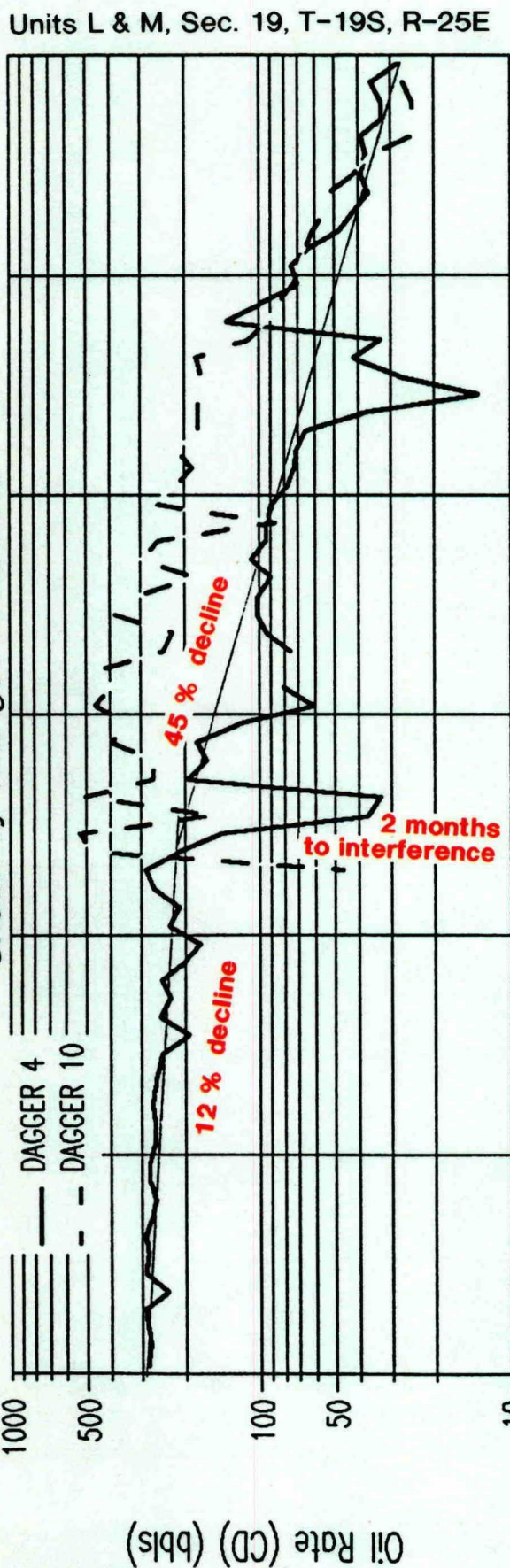
EXHIBIT NO. 6
 CASE NO.: 11235
 Submitted by: Conoco Inc.
 Hearing Date: Apr 6, 1995

NORTH DAGGER DRAW CISCO WELL INTERFERENCE BETWEEN OFFSETTING ORTHODOX WELL LOCATIONS



NORTH DAGGER DRAW CISCO WELL INTERFERENCE BETWEEN OFFSETTING ORTHODOX WELL LOCATIONS

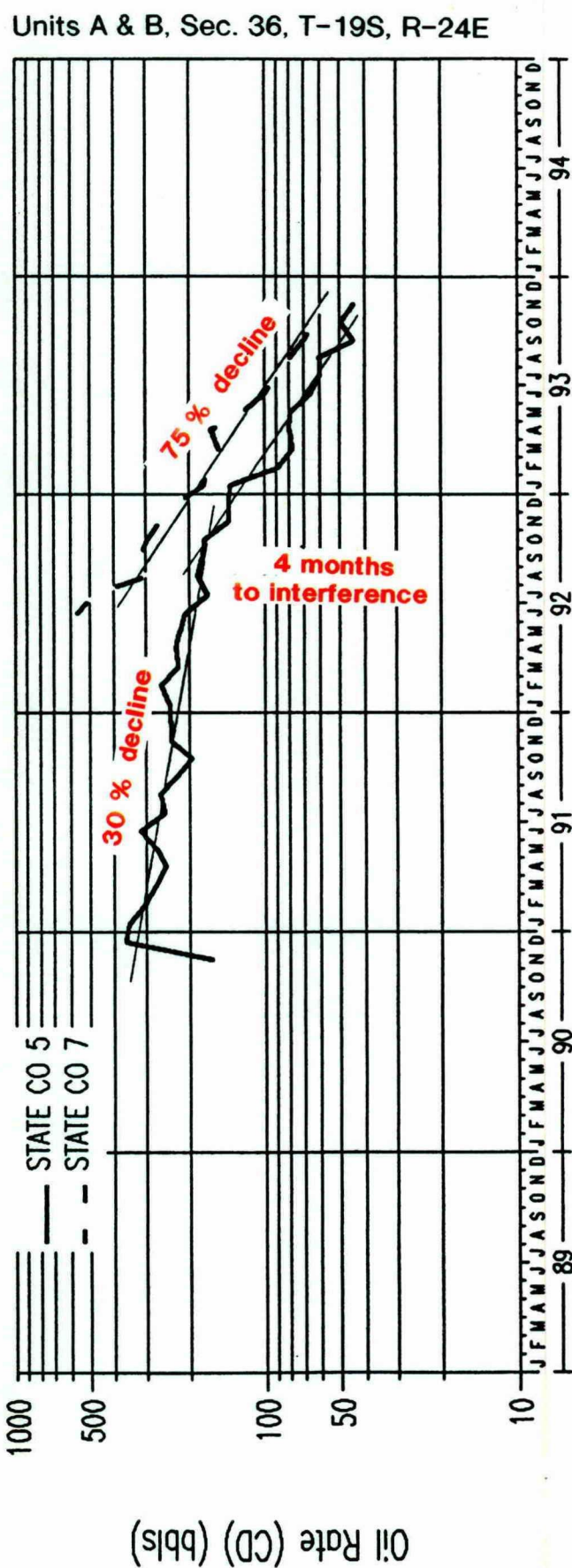
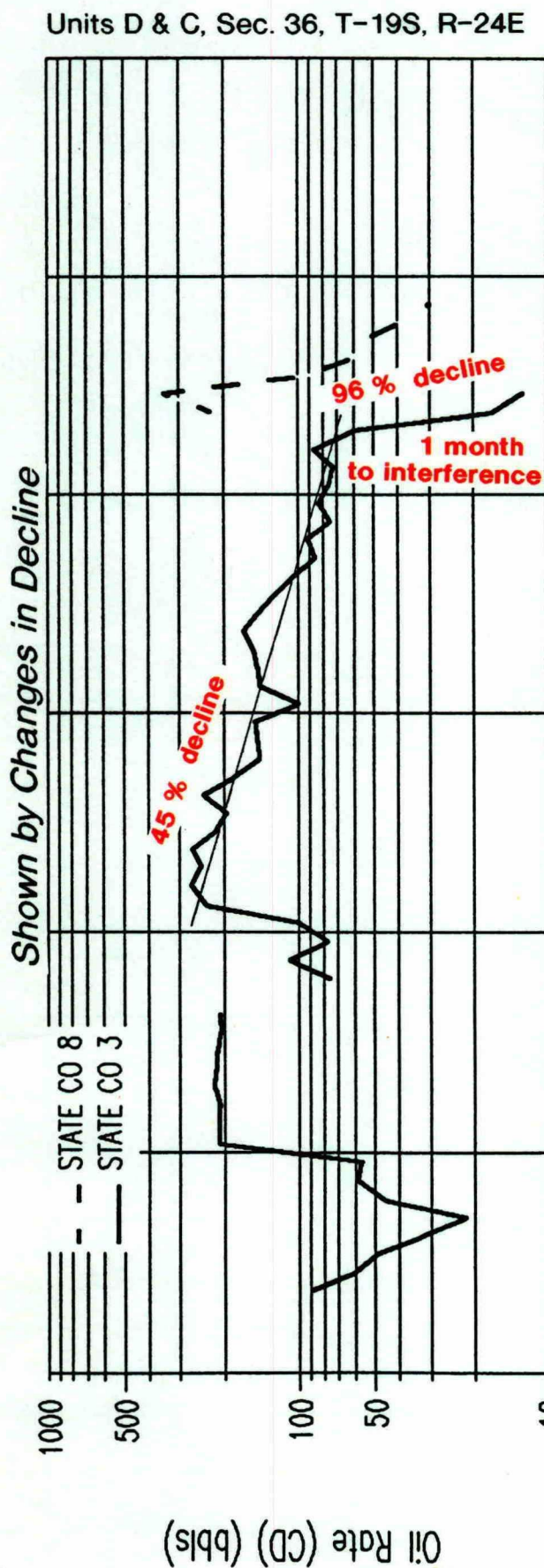
Shown by changes in Decline



BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. **8**
CASE NO.: 11235
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

NORTH DAGGER DRAW CISCO WELL INTERFERENCE BETWEEN OFFSETTING ORTHODOX WELL LOCATIONS



*Oil
does not include
total flow*

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. **9**
CASE NO.: 11235
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

ENVIRONMENTAL ASSESSMENT (EA)
FINDING OF NO SIGNIFICANT IMPACT (FONSI)
DECISION RECORD (DR)

BLM Office: Carlsbad Resource Area

EA Number: NM-067-95-258

Lease File NO. NM-0559175

Proposed Action Title/Type: Oil Well, Flowline and Road / Aspden
AOH Fed. Com. #2.

Location of Proposed Action: 330 FSL & 1980 FWL, Sec. 29, T. ¹⁹~~18~~ S.,
R. 25 E

Caliche Pit- Unknown.

Applicant: Yates Petroleum Corporation

The Carlsbad Resource Management Plan has been reviewed and it has
been determined that the proposed action conforms with the land use
plan terms and conditions as required by 43 CFR 1610.5.

B. Hest 11/11/95
Surname(s) of Reviewer(s) Date

Remarks:

Need for Proposed Action: To Develop Oil/Gas Lease

PROPOSED ACTION AND ALTERNATIVES

Description of Proposed Action: Construct a 185 x 270 ft. Caliche
pad and a 120 x 120 ft. plastic lined reserve pit area. Construct
a 1000 x 30 ft. caliche road. Construct 1200 ft. of a 3", buried
steel, flowline, from the well, west, along side the proposed
access road to the #1 well. Construct 1000 ft. of overhead electric
line from the #1 well, east, along side the proposed access road,
to the #2 well.

Note! The original location fell in the bottom of Seven Rivers Draw
area. The location was moved 330 ft. to the south.

Location is in a very flat spot in a loamy spot in a gravelly hill
type area. The location is about 200 ft. south of the bank
overlooking the Seven Rivers Draw area. There will be no cut and
fill needed. The location will be turned to a V-Door south to keep
the pits away from the draw area.

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO.

10

CASE NO.:

11235

Submitted by:

Conoco Inc.

Hearing Date:

Apr 6, 1995

Description of Alternatives: Since the well was moved south to an unorthodox location for a 160 acre dedication, the alternatives are: 1. Move the location north, west or east. 2. Directional drill. 3. No Action(reject application).

Decision Factors

1. Land ownership of adjacent lands: Location is all on private surface with federal minerals.
2. Access: Hwy. 285 to county road 23 to County Road 29 to new well area.
3. Land-use capability and special development (or construction) requirements: Grazing, Oil/Gas development.
4. Past, present, and future land uses: Grazing Allottee:
Carl Foster
P.O. Box 193
Artesia, NM 88210
5. Legal requirements or considerations: All State and Federal requirements have been met.

Affected Environment

The critical elements subject to requirements specified in statute, regulation, or executive order listed below are either not present or not affected by the proposed action or alternatives.

Critical elements

T & E Species	Prime/Unique Farmlands
Floodplains	ACECs
Cultural Resources	Hazardous/Solid Wastes
Water Quality	Nat. Amer. Rel. Concerns
Wild & Scenic Rivers	Wetlands/Riparian
	Wilderness

Affected Elements: Vegetation: Tarbush/ Burro grass/ Tobossa type.

Cumulative Impacts: If the well is a producer there would be a need for possibly additional pipelines, expansion of tank battery facilities, electric lines, flowlines, salt water disposal pipelines and an increase in applications to drill wells in adjacent 160 acre tracts.

Therefore, there would be a great deal of additional depletion of vegetation, visual impairments of roads, pads, power poles and pipeline easement cuts and potential for soil contamination from surface spills from surface pipelines, wells and batteries in the

WELL-SITE EVALUATION FIELD FORM

Company Name Yates Well Name Aspen A04 Fed. Com. #2

Location: Section 29, T. 19 S., R. 25 E., Footage 160' FSL + 1980' FUL

Examined by B. Holt Date 12/19/94

Description and Topography: (cuts, fills, etc.) Location is in the bottom of Seven Rivers Draw

Soils: (reseeding strips, etc.) Colloids

Hydrogeology: (wells, springs, streams, plant indicators, windmills, etc.)

In the deep cut of Seven Rivers Draw

Wildlife: (habitat, etc.) No mule deer (Doe) seen in the draw

Caliche Location: ?

Cave Area: None seen

Other: (VRM, plant habitat, WSA, archaeology, livestock conflicts, etc.)

Evaluation: move 330 ft. South or at least 500 ft north (Unorthodox)

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. 11
CASE NO.: 11235
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

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

4 IN THE MATTER OF THE HEARING)
 5 CALLED BY THE OIL CONSERVATION)
 6 DIVISION FOR THE PURPOSE OF)
 7 CONSIDERING:) CASE NO. 10731

8 APPLICATION OF NEARBURG PRODUCING COMPANY
 9 -----

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 BEFORE: David R. Catanach, Hearing Examiner

13 June 18, 1993

14 Santa Fe, New Mexico

15 This matter came on for hearing before the
 16 Oil Conservation Division on June 18, 1993, at the Oil
 17 Conservation Division Conference Room, State Land
 18 Office Building, 310 Old Santa Fe Trail, Santa Fe, New
 19 Mexico, before Deborah O'Bine, RPR, Certified Court
 20 Reporter No. 63, for the State of New Mexico.

21
 22 BEFORE EXAMINER CATANACH
 23 OIL CONSERVATION DIVISION

24 Conoco EXHIBIT NO: 12

25 CASE NO: 11235

CUMBRE COURT REPORTING

P.O. BOX 9262

SANTA FE, NEW MEXICO 87504-9262

(505) 984-2244

I N D E X

June 18, 1993
 Examiner Hearing
 CASE NO. 10731

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APPEARANCES

NEARBURG PRODUCING COMPANY'S WITNESSES:

BOB SHELTON

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JERRY ELGER

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TIM MacDONALD

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BILL HARDIE

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MARK MAJCHER

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5 DAVID F. BONEAU

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9

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11 JERRY ELGER

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20

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CUMBRE COURT REPORTING

P.O. BOX 9262

SANTA FE, NEW MEXICO 87504-9262

(505) 984-2244

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE, COX, EATON, COFFIELD
& HENSLEY
500 Marquette, NW, #800
Albuquerque, New Mexico 87102
BY: JAMES G. BRUCE, ESQ.

FOR CONOCO, INC.: KELLAHIN AND KELLAHIN
117 N. Guadalupe
Santa Fe, New Mexico
BY: W. THOMAS KELLAHIN, ESQ.

FOR YATES PETROLEUM: LOSEE, CARSON, HAAS, & CARROLL
P.O. Box 239
Artesia, New Mexico 88210
BY: ERNEST L. CARROLL, ESQ.

1 MR. STOVALL: Once again, Dr. Boneau plays
2 cleanup purposely.

3 DAVID F. BONEAU,
4 the witness herein, after having been first duly sworn
5 upon his oath, was examined and testified as follows:

6 EXAMINATION

7 BY MR. CARROLL:

8 Q. Would you state your name, occupation, and
9 by whom you're employed for the record.

10 A. My name is David Francis Boneau. I work as
11 reservoir engineering supervisor for the Yates
12 Petroleum Corporation in Artesia, New Mexico.

13 Q. Mr. Boneau, you have testified many times
14 previously to this date and had your credentials
15 accepted in the fields of petroleum engineering and
16 reservoir analysis, have you not?

17 A. Yes, sir.

18 MR. CARROLL: Mr. Examiner, I would tender
19 Mr. Boneau as an expert in the field of petroleum
20 engineering and reservoir analysis.

21 EXAMINER CATANACH: Mr. Boneau is so
22 qualified.

23 Q. (BY MR. CARROLL) Mr. Boneau, would you
24 first, for the record, state Yates' position as you
25 understand it with respect to this application by

1 Nearburg?

2 A. Yates' position is that we're asking the
3 Commission to deny the Nearburg application. I've
4 prepared some things to talk about penalty, but the
5 conclusion is that the best course is to deny the
6 application.

7 Q. All right. Now, you have prepared some
8 five exhibits, have you not, to help in presenting
9 your testimony to the Division?

10 A. Yes, sir.

11 Q. In order to just expedite matters, I would
12 ask you to start with the first exhibit numbered No.
13 5, and if you would just, without me interfering with
14 your discussion, please present your five exhibits,
15 and as you come to each exhibit, please identify them
16 by number, and if you don't, I'll catch you, but if
17 you would, just present these exhibits to the
18 examiner.

19 A. Okay. The examiner has heard a little bit
20 about the problems with the penalty. The first
21 exhibit is Exhibit No. 5. One of the things it shows
22 is that Mr. Boneau can't spell "penalty" right all the
23 time, but other than that, it addresses the three-part
24 penalty formula that the Commission has considered in
25 the past.

1 So I have a drawing of the proposed
2 location with a 40-acre circle around it and also a
3 location which is labeled "legal." It's the nearest
4 orthodox location to the proposed location. There's
5 also a 40-acre circle around that one.

6 The three-part formula that has been used
7 sometimes in the past consists of a north-south
8 offset, an east-west offset, and an acreage factor.
9 And those numbers are listed at the bottom right-hand
10 corner of the Exhibit 5.

11 In the north-south direction, the proposed
12 location is 330 feet from the north line, and it
13 should be 660, and that's a 50 percent contribution to
14 a penalty factor.

15 In the east-west direction, the proposed
16 location is approximately 225 feet off of the middle
17 boundary of the section.

18 The northwest quarter is not exactly 160
19 acres. It's a little more than 160 acres. That
20 factor is a 66 percent factor. The acreage factor is
21 determined by taking the area colored in blue as a
22 function of the 40-acre circles, and the 17 acres
23 excess acreage outside of the legal circle is 43
24 percent of the 40-acre circle.

25 You average those three numbers together,

1 and you get a 53 percent penalty kind of factor. And
2 that's the procedure that has been used in these type
3 hearings more than once in the past.

4 I used a 40-acre circle because most of the
5 wells in this area are in situations where there are
6 four wells per 160, and that seemed a practical kind
7 of circle to draw.

8 The only thing that makes any sense on a
9 penalty to me is to apply it to the allowable of the
10 spacing unit. I believe there's no way to penalize
11 one well out of a three-well battery.

12 So the rest of these exhibits kind of talk
13 about the practicality of applying this type of a
14 penalty factor, either a 53 percent penalty or we
15 could ask for a 66 percent penalty to the situation
16 that we have in the northwest quarter of Section 31.

17 So Exhibit 6 -- well, what's going is
18 you've got two other wells producing, and I tried to
19 take what the penalty factor would do to the allowable
20 for the 160 and then estimate how much the two present
21 wells would be producing over the next couple of
22 years, and come up with an estimate of how much the
23 new well would be able to produce under that penalty
24 and then decide whether that's a reasonable way to
25 go. That's my road map of kind of what I was trying

1 to do.

2 So Exhibit 6 shows the oil production from
3 Dagger Draw 31 Federal No. 1. And it's been
4 declining, and I drew a line that is my estimate of
5 how it will decline in the future.

6 Exhibit No. 7 is a similar picture for the
7 other well that's producing, the 31 No. 4. And,
8 again, its production has declined to about 140, 150
9 barrels a day. And I've drawn a line that's my
10 estimate of how it will produce in the future.

11 The next important exhibit is Exhibit No.
12 8. And that's some calculations for the rest of '93,
13 '94, '94, early '96 of how much the two present wells
14 would produce and then how much would be left over
15 under a 53 percent penalty and under a 66 percent
16 penalty for this proposed well.

17 A 53 percent penalty results in an
18 allowable of 329 barrels of oil per day. A 66 percent
19 penalty would result in an allowable of 238 barrels of
20 oil per day.

21 And you see in the first column some dates
22 every six months into the future. The second column
23 is what the 31-1 would be producing, and in July it
24 would be about 120 barrels a day and then fall over
25 those three years to about 50 barrels a day.

1 The third column is what the 31-4 would be
2 producing, and it's about 125 barrels a day next month
3 and falling to about 45 barrels a day in three years.

4 The fourth column then is just the total of
5 those two. And at the current time, which I've called
6 July '93, those two wells are making about 245 barrels
7 a day. With a 53 percent penalty, that leaves 84
8 barrels in the fifth column presumably for this new
9 well.

10 In the last column, the 66 percent penalty,
11 there's nothing left over for a new well, 238 barrel a
12 day allowable, and it's making 245; so even the
13 present wells would be reduced a little.

14 You carry those figures down through time
15 under the 53 percent penalty and the 66 percent
16 penalty, and you see the numbers there going from 84
17 to 234 under 53 percent penalty. And my conclusion
18 from that is that that really isn't much of a
19 penalty. The well, by the time they get the well
20 drilled and on, it's able to make 150 barrels and soon
21 200 barrels, and that's not enough penalty for the
22 drainage that it's going to be doing to the offset
23 acreage. The 66 percent penalty restricts production
24 to 100 or 150 barrels a day and starts to be a real
25 significant penalty.

1 So the conclusion to that point is that
2 you'd have to penalize the whole 160. And a 53
3 percent penalty, in my opinion, is not enough. A 66
4 percent penalty starts to be in the right range to
5 justify correlative rights.

6 Then Exhibit 9 kind of leads me to the
7 conclusion that none of the penalties are going to
8 work very well. Exhibit No. 9 is simply a page from
9 the state's statistical for the month of March 1993.
10 And I have marked in yellow two items at the bottom of
11 the page where it talked about the production and the
12 allowable for the Nearburg wells.

13 The fourth line from the bottom refers to
14 the Dagger Draw 31 Federal No. 1 in Unit D, and this
15 concerns me. I don't know how the system really
16 works, but the state's statistical says that that well
17 has allowable of 21,700 barrels, which is 700 barrels
18 a day to that well. Two lines lower, we're talking
19 about Dagger Draw No. 4 in Unit E, it also has an
20 allowable of 700 barrels a day.

21 We know those are not right. The spacing
22 unit has an allowable of 700 barrels a day. And just
23 as a further worry about instituting and operating a
24 penalty, it looks to me like the system probably
25 wouldn't catch anything about a third well. It looks

1 to me like the system is given too high allowables to
2 all the wells already. And this problem, if there is
3 a problem, is not restricted to Nearburg. It's just
4 that every one on Dagger Draw is given a 700 barrel a
5 day allowable regardless of how many wells are in the
6 spacing unit.

7 Q. Mr. Boneau, during the testimony by
8 Conoco's engineer, Mr. Majcher, he listed, I think,
9 three concerns from a practical standpoint of trying
10 to keep track of the production out there for this
11 unit and trying to trace it back to a single well. Do
12 you concur in the problems that Mr. Majcher enumerated
13 for the Commission?

14 A. Yes. Those are clearly problems, and I was
15 simply trying to add an additional possible problem.

16 Q. And the testimony that you've presented
17 through yours Exhibits of 5 through 9 carry what his
18 concerns were one step further and show that even if
19 you could determine a penalty and somehow keep track
20 of it, because of the nature of the beast, the three
21 wells and them all producing from this -- producing
22 the allowable, it's just not effective?

23 A. Yeah. I said instead of just saying it's
24 hard to do, let's try to do it and see what happens.

25 Q. Do you have an opinion then as to whether

1 or not that is a valid way of attacking this problem,
2 using the penalty methodology?

3 A. The penalty methodology is a poor way of
4 attacking this problem. We've listed some problems.
5 An additional problem that may or may not have been
6 brought up is simply the operator could assign the
7 total allowable to this new well and produce 250 or
8 329 barrels of oil a day out of this new well and kind
9 of defeat the idea of a penalty.

10 So there's the usual problems with a
11 penalty, and it's compounded by the fact that there
12 are these three wells on the spacing unit, and it
13 looks to me like the state's computer system probably
14 can't handle that either.

15 Q. Mr. Boneau, is it not true that the concept
16 of invoking a penalty is the Commission's way of
17 trying to protect correlative rights; is that --

18 A. That's my understanding, yes, sir.

19 Q. With respect to the opinion rendered by
20 Nearburg's experts that allowing or the granting of
21 this unorthodox location would protect correlative
22 rights, do you have an opinion with respect to that
23 issue?

24 A. Yes. I think that the person from Nearburg
25 is confused about the concept of correlative rights,

1 at least as I understood what he said. Maybe I
2 misunderstood what he said. I understood him to say
3 that they were entitled to the oil that was originally
4 under their spacing unit, and that is simply not
5 true. If they don't drill a well, they're not
6 entitled to anything. And when they do drill a well,
7 they're entitled to their share of what's there at the
8 time they drill a well. They're entitled to what's
9 under their lease at the time they drill the well.

10 We had a large discussion yesterday about
11 drainage areas of these Dagger Draw wells and a
12 similar kind of discussion today. The wells drain
13 more than 40 acres, and that's just fine, and some of
14 the oil under this -- under the 40 acres that we're
15 talking about here is being drained by the wells that
16 already exist and offset, and that's just fine under
17 correlative rights. And the owners of those wells
18 would include Nearburg. They have every right to that
19 oil. No need to beat the story any more.

20 Q. The key then is the opportunity to produce;
21 is it not?

22 A. Yes. The key is the opportunity to
23 produce, and the key in my mind is that -- is the oil
24 that is there when they have -- when they actually
25 drill their well and oil that has been taken from

1 under their lease legally by offset wells, they have
2 no right to cry about, no right to complain, no right
3 to want that oil back.

4 Q. Then, Mr. Boneau, do you have an opinion as
5 to whether or not the granting of this application of
6 Nearburg's, what effect that it has on correlative
7 rights and the prevention of waste?

8 A. Well, if they're allowed to drill at their
9 proposed location with no penalty, they will violate
10 the correlative rights of the offset operators, and
11 they will drain oil that they are not entitled to
12 under correlative rights.

13 Q.. Then, Mr. Boneau, is it your recommendation
14 then based on these ideas that have been presented
15 today that this application be denied?

16 A. That's my recommendation. The facts of the
17 case are, they can -- they've got legal places to
18 drill, and whether or not they'll admit or not is
19 fine. If they're allowed to drill at their proposed
20 location, there must be a significant penalty, 66
21 percent at least, and there must be a way to enforce
22 that.

23 And to me the third factor of the case is
24 that the best solution is to deny their application
25 and give them an opportunity to drill a well which

1 attacks these undrained reserves to the south and
2 southwest.

3 Q. Mr. Boneau, is there anything further that
4 you'd like to express to the examiner?

5 A. One or two tiny things, maybe. There was a
6 question back about the size of pad, somebody asked
7 that, and I just happen to know the answer, since we
8 asked an expert at Yates Petroleum on the telephone
9 this morning. The normal pads out there are 250 by
10 300, which is about half as big as a 400 by 400 pad.

11 Denise laid something on me about drainage
12 areas, I don't even remember, but if nobody asked,
13 I'll forgot that. That's my testimony, please.

14 MR. CARROLL: All right. I would move, Mr.
15 Examiner, the admission of Yates Exhibits 5 through 9.

16 EXAMINER CATANACH: Exhibits 5 through 9
17 will be admitted as evidence.

18 MR. CARROLL: I would pass the witness.

19 EXAMINER CATANACH: Mr. Kellahin?

20 MR. KELLAHIN: No, sir.

21 EXAMINER CATANACH: Mr. Bruce?

22 EXAMINATION

23 BY MR. BRUCE:

24 Q. Mr. Boneau, I think what Miss Fly -- I had
25 asked her a question -- she had gone down the listing

1 of volumetric parameters that Nearburg had used, and
2 she said that Yates core data and other data indicated
3 that, say, the porosity value was --

4 A. 6 to 8 percent instead of 12.

5 Q. Instead of 12 percent? And the water
6 saturation value was different?

7 A. She had a higher number, yes.

8 Q. Higher number? Would those values tend to
9 increase the drainage radius which Nearburg
10 calculated, using Yates' numbers?

11 A. Those changes would -- if Nearburg used our
12 numbers instead of their numbers in those
13 calculations, they would calculate larger drainage
14 areas.

15 Q. Okay. Now, you referred to a hearing
16 yesterday, it had to do with an area to the south of
17 the Dagger Draw, and I believe you testified at that
18 hearing, did you not, Dr. Boneau?

19 A. I believe so, yes, sir.

20 Q. A Yates case for pool rules?

21 A. I remember it, yes, sir.

22 Q. And at that hearing, I think you stated
23 that, in your opinion, the Dagger Draw wells drained
24 anywhere from 50 to 120 acres; is that an accurate
25 comment of your testimony?

1 A. I believe I said that as a round number,
2 average would be 80 acres, and that would vary in
3 approximate to the range he said.

4 MR. STOVALL: Dr. Boneau was quoted
5 yesterday as quoting something he said some time ago;
6 so I think any numbers he says or with respect to what
7 he said at another time is probably --

8 MR. BRUCE: I'm not asking him -- let me
9 ask this.

10 Q. Is it your opinion, Dr. Boneau, that the
11 Dagger Draw wells drain from 50 to 120 acres?

12 A. Yes, it's my opinion that there are Dagger
13 Draw wells that drain from 50 to 100 acres. And it's
14 my opinion that an average is somewhere around the 80.

15 Q. Have you performed any calculations on the
16 Conoco No. 11 or the Nearburg No. 2 wells that seem to
17 be most in issue today?

18 A. I have not sat down recently and done those
19 calculations. I've heard enough about those
20 calculations that I have an idea in my head how they
21 would turn out if I did them.

22 Q. What is that idea?

23 A. It is that I would calculate numbers
24 somewhat larger than the numbers that were presented
25 today, and just it would be the changes in the

1 parameters that we talked about a few minutes ago.

2 Q. Larger than the Nearburg numbers?

3 A. Well, the Nearburg -- I've only got one
4 page of this thing, but the Nearburg, you calculated
5 drainage areas for No. 11 that were --

6 Q. I think approximately 120 or 124 acres.
7 And for the No. 2, approximately 74 or 75 acres.

8 A. Okay. There it is. I would use porosity
9 and recovery factor numbers that would tend to
10 increase those drainage areas. I think that
11 especially with the No. 11, I think that your estimate
12 of projected ultimate recovery is high, and that would
13 reduce the estimate such that I might not get a number
14 that's too much different from the 124, but maybe 140
15 or something but not too much different from that.

16 The Conoco estimate for those were in the,
17 whatever, 60, 65 acres. And making this same kind of
18 corrections again, I'd get, whatever, 120, 135, 140.

19 Q. If you used Conoco's numbers but plugged in
20 those different Yates' numbers, you'd get greater than
21 --

22 A. I'd get greater than 80. You're talking
23 about not an average well with the No. 11; you're
24 talking about a great well with the No. 11.

25 Q. And the No. 11 well, in your opinion, are

1 the No. 11 and No. 2 wells better than average wells?

2 A. They are better than average wells.

3 Somebody else was asked what is an average well, and
4 Yates' average well out of the 140 we have is 202,000
5 barrels of oil and 1.05 Bcf of gas.

6 Q. How many barrels of oil?

7 A. 202,000 barrels of oil and 1.05 Bcf. And
8 that gas number is probably higher than it would be
9 for Nearburg because we have some wells in the gas
10 cap. Maybe the oil number would be a little low
11 because we have some wells in the gas cap. That's our
12 average. And the two wells we talked about are
13 clearly way better than that average.

14 Q. In your opinion, as of today, have the No.
15 11 and No. 2 wells drained the 40 acres?

16 A. Yes.

17 MR. BRUCE: Thank you, Dr. Boneau.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Just one question, Dr. Boneau, the 66
21 percent penalty that you recommended, how was it
22 arrived at?

23 A. You've seen all the penalty numbers that I
24 have there.

25 Q. I see.

1 A. The average is 53. In Exhibit 8, there are
2 some corollaries from using that penalty, we'd say,
3 and my judgment was that that's not a sufficient
4 penalty. The highest number in the three-part formula
5 is 66, and so I did the other -- the calculation for
6 that highest of the three parts. And as I said, in my
7 opinion, that starts to be a penalty that hurts.

8 EXAMINER CATANACH: I have nothing else.

9 MR. KELLAHIN: I think I misunderstood the
10 question. That penalty is not your recommendation, is
11 it, Dr. Boneau?

12 THE WITNESS: No. No. My recommendation
13 was that the thing be denied because of the problems
14 of implementing a penalty.

15 MR. KELLAHIN: All right, sir.

16 EXAMINER CATANACH: I understand.

17 MR. STOVALL: The question was just how he
18 came up with that number, Mr. Kellahin.

19 EXAMINER CATANACH: Anything else of this
20 witness? If not, he may be excused.

21 MR. CARROLL: Mr. Examiner, that concludes
22 Yates' case.

23 MR. BRUCE: I hate to say this, Mr.
24 Examiner, but I would like some brief rebuttal.

25 EXAMINER CATANACH: How long rebuttal?

1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)

4) ss.

5 COUNTY OF SANTA FE)

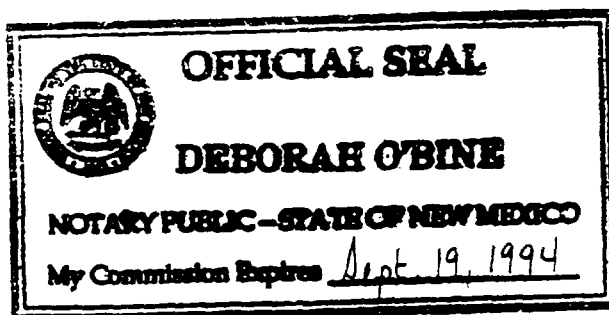
6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that I
8 caused my notes to be transcribed under my personal
9 supervision, and that the foregoing transcript is a
10 true and accurate record of the proceedings of said
11 hearing.

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

16 WITNESS MY HAND AND SEAL, July 15, 1993.

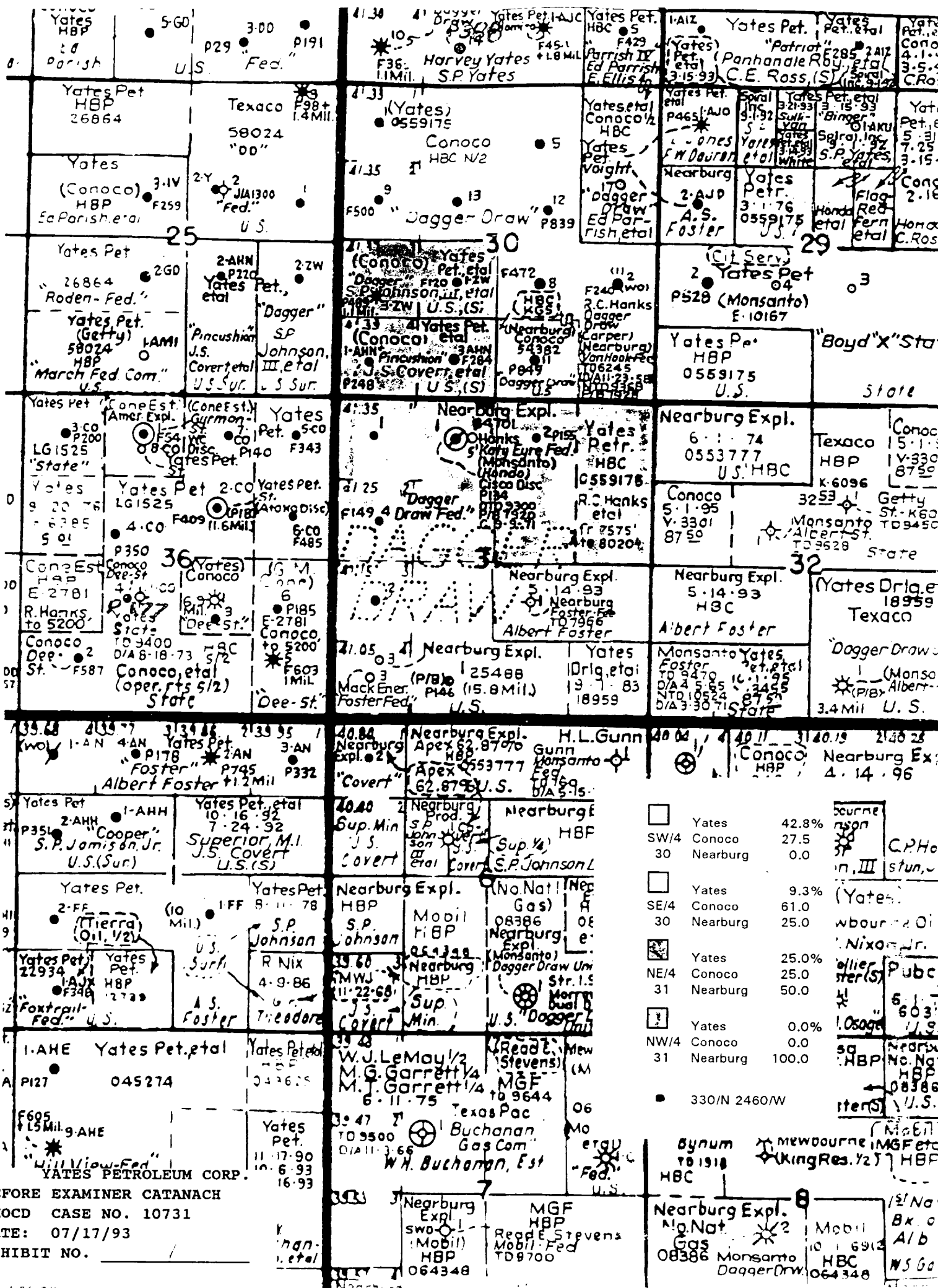
17 *Deborah O'Bine*
18

19 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. 10731,
heard by me on Aug 17 1993.

David R. Catlett, Examiner
Oil Conservation Division



BEFORE EXAMINER CATANACH
NMOC CASE NO. 10731
DATE: 07/17/93
EXHIBIT NO.

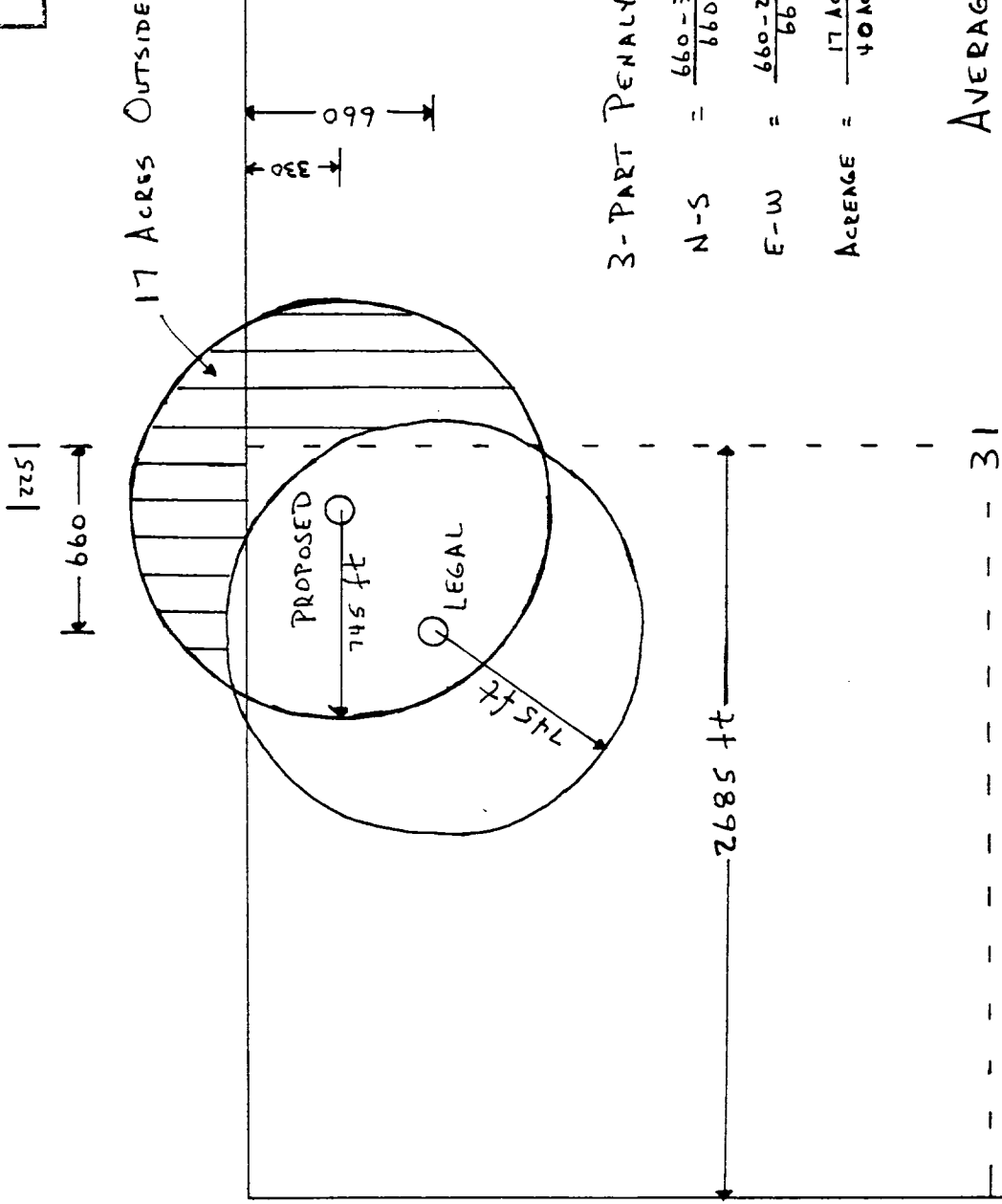
PENALTY -- THREE - PART FORMULA

BEFORE EXAMINATION

OIL CONSERVATION DIVISION

EXHIBIT NO. 5

CASE NO. 18251

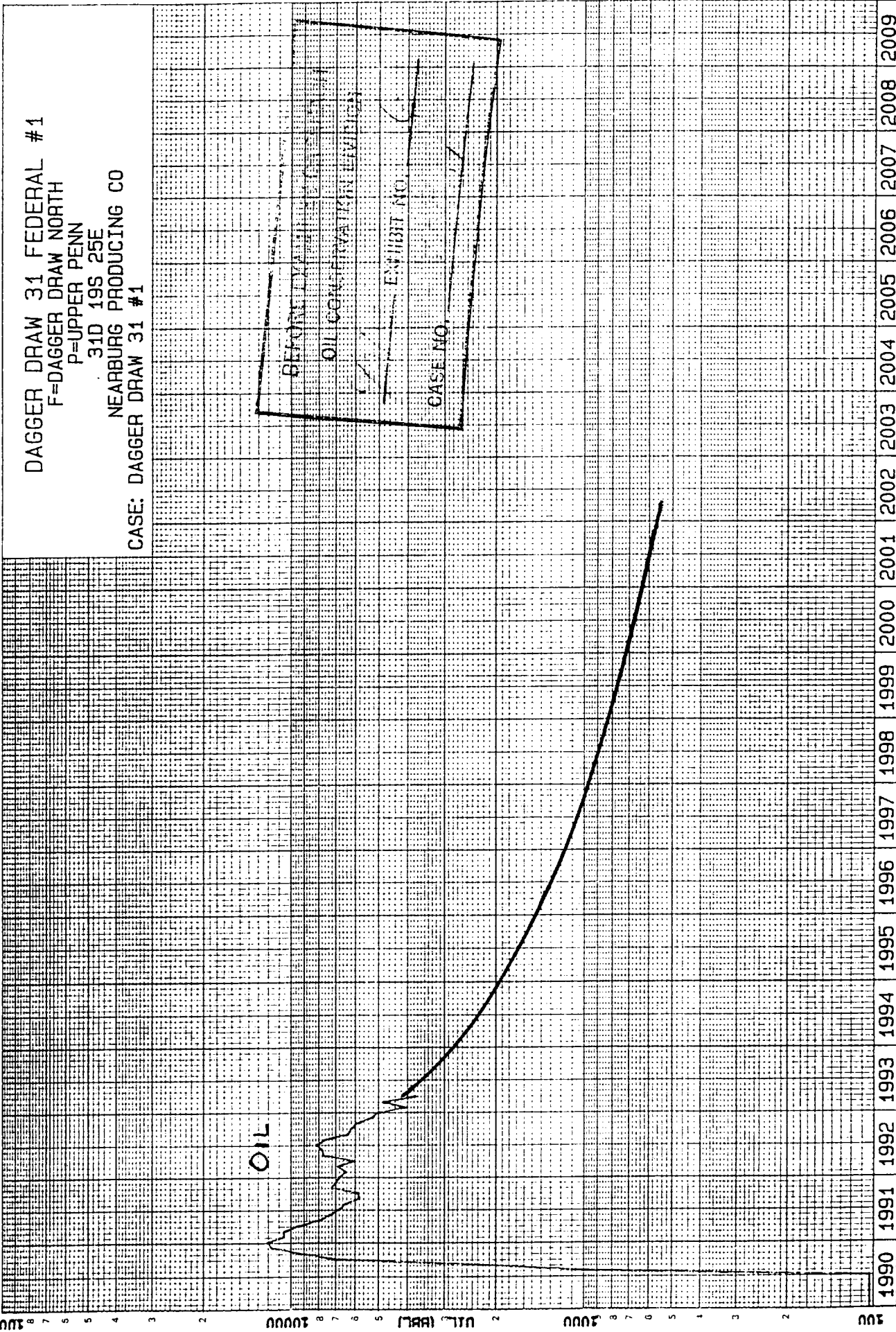


Date: 6/16/93
Time: 14:33:55

PRODUCTION HISTORY

File: NEARBURG.DSF
Get#: 3

DAGGER DRAW 31 FEDERAL #1
F=DAGGER DRAW NORTH
P=UPPER PENN
31D 19S 25E
NEARBURG PRODUCING CO
CASE: DAGGER DRAW 31 #1



CUMULATIVE OIL (BBL) = 219945.

DPC & A

YEARS

SL 20 3 3

CUMULATIVE GAS (MCF) =

Date: 6/16/93
Time: 14:33:55

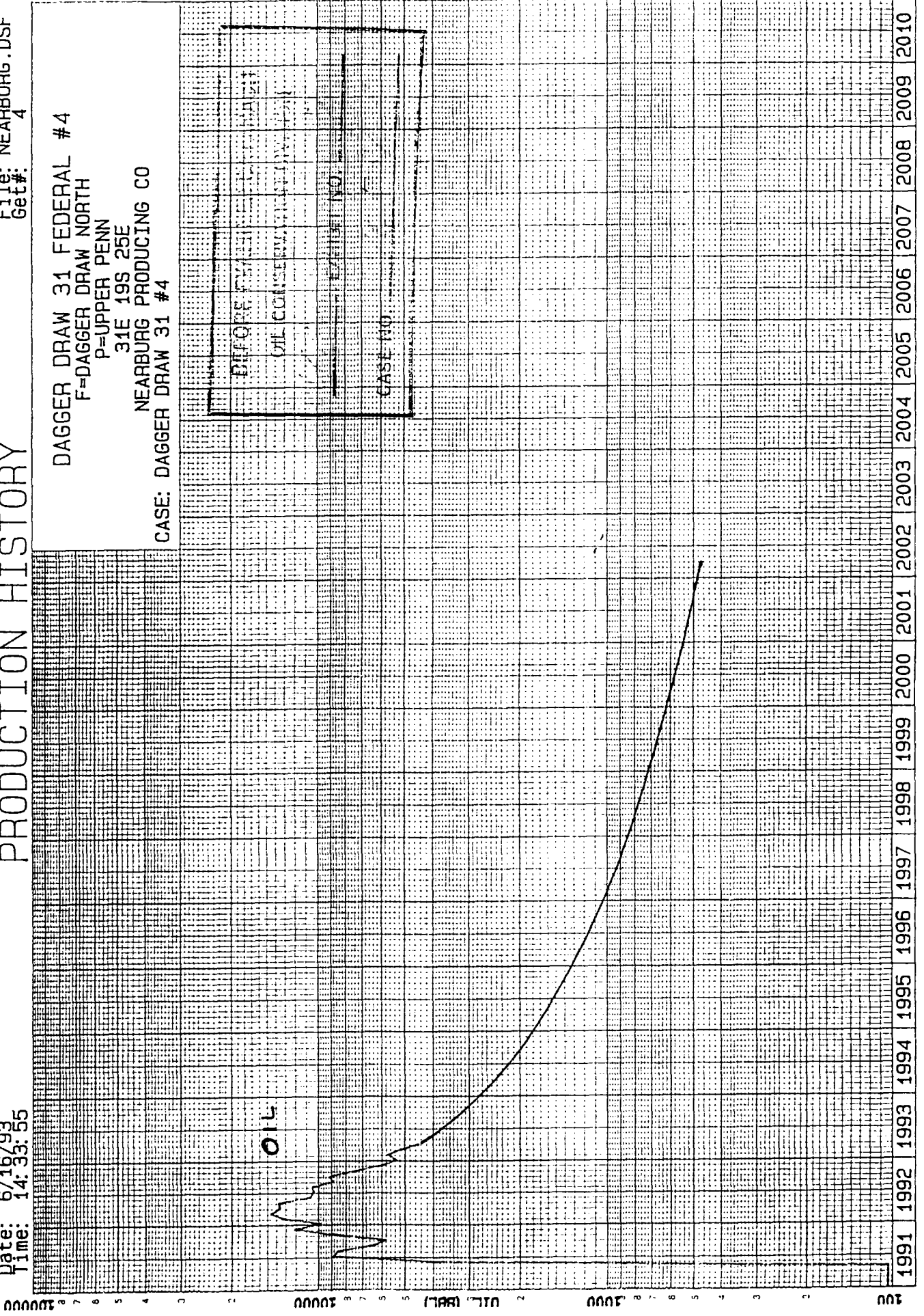
PRODUCTION HISTORY

File: NEARBURG.DSF
Get#: 4

DAGGER DRAW 31 FEDERAL #4
F=DAGGER DRAW NORTH
P=UPPER PENN
31E 19S 25E
NEARBURG PRODUCING CO
CASE: DAGGER DRAW 31 #4

OIL

DATE FIRST PROD. 12/1/91
OIL CONSERVATION NO. 123456789
CASE NO. 123456789



CUMULATIVE OIL (BBL) = 195533.

OPAC: 5 A

YEARS

SL 20 3 3

CUMULATIVE GAS (MCF) =

Oil Allowable Under Penalty -- NW/4 of Section 31

Handwritten:
 1400 2000
 1000 1500
 338 1000
 338 1000

	31 #1 <u>BOPD</u>	31 #4 <u>BOPD</u>	Total <u>BOPD</u>	Available to 31 #5	
				BOPD 53%	BOPD 66%
July 93	120	125	245	84	-7
Jan 94	95	90	185	144	53
July 94	75	70	145	184	93
Jan 95	65	60	125	204	113
July 95	55	70	105	224	133
Jan 96	50	45	95	234	143

BEFORE EXAMINATION OF RECORDS
 OIL COMPLETION DIVISION
Spiller EXHIBIT NO. *5*
 CASE NO. *1000*

MARCH, 1993 MONTHLY STATISTICAL REPORT SOUTHEAST OIL
CONTINUED, DAGGER DRAW UPPER PENN NORTH (YR TO DATE LSE OIL PROD IN CUML

DESCRIPTION					M C	OIL ALLOWABLE	M P	E X	OIL PRODUCTION	CSG HD ALLOWABLE	GAS PRODUCTION	WATER PRODUCTION	DAYS PROD	GAS DISPOSITION		E X	CUMULATIVE GAS O/P
WELL	U S	T	R	VOLUME										DISP			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
CONOCO COM	1A	18	19S	25E		21700P			3892	217000	2242	9380	31	2210COI			10112
														32VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
DAGGER DRAW	1D	30	19S	25E		21700P			794	217000	4251	1350	30				
	9E	30	19S	25E		21700			6521	217000	8323	9782	31				
	11O	30	19S	25E		21700P			20033	217000	27404	14223	31				
	13F	30	19S	25E		21700P			1546	217000	19287	3370	30				
LEASE TOTAL						86800			28894	868000	59265	28725		58432COI			80894
														833VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
DAGGER DRAW A	1G	17	19S	25E		21700P				217000	NO REPORT						
DAGGER DRAW COM	4L	19	19S	25E		21700F			2864	217000	9065		31				
	5B	30	19S	25E		21700F			2954	217000	11035	31549	16				
	8J	30	19S	25E		21700PS				217000	LAST PROD. DATE 03/92						
	10M	19	19S	25E		21700			8694	217000	14920	348	30				
LEASE TOTAL						86800			14512	868000	35020	31897		34527COI			37172
														493VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
DAGGER DRAW COM	12G	30	19S	25E		21700			7085	217000	19945	4038	31	19664COI			18193
														281VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
DEE STATE COM	1J	36	19S	24E		21700PS				217000	LAST PROD. DATE 04/92						
	2M	36	19S	24E		21700F			5311	217000	18640	584	30				
	3J	36	19S	24E		21700PS				217000	LAST PROD. DATE 03/92						
	5P	36	19S	24E		21700P			4208	217000	8698	17084	26				
	6I	36	19S	24E		21700P			1278	217000	5933	8780	30				
LEASE TOTAL						108500			10797	1085000	33271	26448		32803COI			34758
														468UNK			
JENNY COM	1E	17	19S	25E		21700F			211	217000	574	1559	31				
	2C	17	19S	25E		21700P			294	217000	2728	362	25				
LEASE TOTAL						43400			505	434000	3302	1921		3256COI			602
														46VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
JULIE COM	2B	17	19S	25E		21700P			6500	217000	5706		31	5625COI			12331
														81VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
LEHMAN FEDERAL	1M	18	19S	25E		21700P			1750	217000	5595	2853	30	5516COI			4737
														79VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
LODEWICK A	1C	19	19S	25E		21700F			161	217000	6014	979	27				
	2E	19	19S	25E		21700			510	217000	15036	1168	31				
	3D	19	19S	25E		21700P			215	217000	11657	327	31				
LEASE TOTAL						65100			886	651000	32707	2474		32245COI			12047
														462VNT			
FOR RUNS AND STORAGE SEE COMMINGLED SECTION (CST)																	
COMPANY TOTAL						596750			87957	6076000	223014	138773					
NEARBURG PRODUCING COMPANY *****																	
B AND B	1G	22	19S	25E	2	21700PS				217000	LAST PROD. DATE 12/92						
COVERT COM	2D	6	20S	25E		21700P			8748	217000	11055	39842	31	11055GPM			26335
DAGGER DRAW 31 FEDERAL	1D	31	19S	25E		21700F			4684	217000	11241	45755	31				
	2B	31	19S	25E		21700P			11335	217000	13038	31348	31				
	4E	31	19S	25E		21700F			5006	217000	9278	415	25				
LEASE TOTAL						65100			21025	651000	33557	77518		33557GPM			65281