STATE OF NEW MEXICO

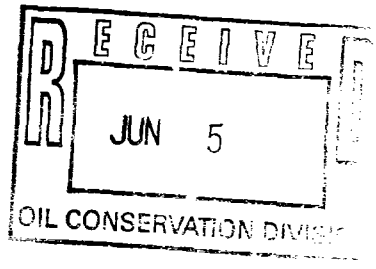
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

APPLICATION OF ENRON OIL AND GAS COMPANY

CASE NO. 11,291



ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 1st, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, June 1st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

June 1st, 1995
Examiner Hearing
CASE NO. 11,291

* * *

E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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By: WILLIAM F. CARR

* * *

WHEREUPON, the following proceedings were had at 8:48 a.m.:

EXAMINER CATANACH: At this time I'll call Case 11,291.

MR. CARROLL: Application of Enron Oil and Gas Company for an unorthodox oil well location, Lea County, New Mexico.

EXAMINER CATANACH: Are there appearances in this case?

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe law firm Campbell, Carr and Berge.

We represent Enron Oil and Gas Company in this case, and I have three witnesses.

EXAMINER CATANACH: Any additional appearances?

Will the three witnesses please stand to be sworn in?

(Thereupon, the witnesses were sworn.)

PATRICK J. TOWER,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A. Patrick J. Tower.

Q. By whom are you employed?

A. Enron Oil and Gas Company.

Q. Mr. Tower, what is your current position with Enron?

A. I'm a project landman.

Q. Have you previously testified before this Division?

A. Yes.

Q. At the time of that testimony, were your credentials as a petroleum landman accepted and made a matter of record?

A. Yes, they were.

Q. Are you familiar with the Application filed in this case on behalf of Enron?

A. Yes, I am.

Q. And are you familiar with the status of the lands in the subject area?

A. Yes, I am.

MR. CARR: Are the witness's qualifications acceptable?

EXAMINER CATANACH: They are.

Q. (By Mr. Carr) Mr. Tower, would you briefly state what Enron seeks with this Application?

A. Enron Oil and Gas Company seeks an unorthodox well location for its Diamond "7" Federal Well Number 5 in

the north half of the northeast quarter of Section 7, Township 25 South, Range 34 East, to be completed in the Red Hills-Bone Spring Pool.

Q. What is the status of the proposed well location?

A. The BLM -- We initially filed the initial unorthodox location at a location of 660 feet from the north line and 2540 feet from the east line of said Section 7.

However, the BLM, due to some surface drainage reasons, have required Enron to move the location 500 feet due north to the current location which we are proposing, the new location being 160 feet from the north line and 2540 feet from the east line of this Section 7.

MR. CARR: Mr. Catanach, as we advised the Division, the case has already been readvertised, and new notice letters have been sent out reflecting the new location.

The case at the conclusion of this presentation will need to be continued to the 15th and then taken under advisement after the notice time period has run. As you will see, it only encroaches on Enron-operated lands that are federal leases.

Q. (By Mr. Carr) Mr. Tower, what are the well-location requirements for wells in the Red Hills-Bone Spring Pool?

A. Currently in -- The Red Hills-Bone Spring Pool, for background, was established under Case Number 10,943, under Order Number R-10,109, on April 26th of 1994.

It established 80-acre spacing patterns for the pool, for the Bone Spring, with 150-foot setbacks, or wells to be located -- to be legal, should be located 150 foot of the center of the quarter-quarter sections within the two 40s within the 80-acre spacing unit.

Q. Mr. Tower, let's go to what's been marked as Enron Exhibit Number 1. Would you identify and review that for Mr. Catanach?

A. Exhibit Number 1 is a land plat depicting the wells and ownership in this area. In the red outline is the -- currently the outlined spacing unit, 80-acre spacing unit, for the proposed test.

There are two location symbols there. The green location is the original location that Enron was seeking, that I mentioned earlier. And the current location that the BLM has moved Enron to is located in red, with the red dot.

The other two boxes located there are the windows. They should actually be circles, but roughly represent the 150-foot setback area, within the 80 acres showing the legal locations within this spacing unit.

In addition, on this plat you will notice that

Enron is the operator of all offsetting tracts. Within the north half of Section 7 there are two leases. The entire north half, including the drill site, is one federal lease. The remaining 40-acre tract, being the southeast of the northwest quarter, is a state tract.

To the north of our location, towards which our well moves, are two federal leases, one comprised of the southeast quarter, Section 6, and one comprised of the southwest quarter, Section 6.

Q. These are again federal leases?

A. Again, federal leases.

Q. And operated by Enron?

A. That is correct.

Q. Now, could you review in a little more detail the relationship of the Bureau of Land Management concerning the development of this acreage?

A. The BLM, as we mentioned, the federal leases, we have received several letters in the past within this field from the Bureau of Land Management, indicating, as we've drilled additional successful wells, the need for review of drilling wells to protect against drainage.

So they have been definitely following Enron's activity and -- with the idea of ensuring that all leases are properly developed to prevent from drainage.

One other notation I will make in that regard.

All of the proration units to the north of this proposed location are currently developed, and there have been wells either drilled or recompleted to this zone by Enron.

Q. When you met with the Bureau of Land Management concerning the proposed unorthodox location, they actually gave you two options, did they not?

A. Yes, they did. The two options that they gave us within this area were the one location that we're applying for, 160 feet from that northern line, and the other location is within that westernmost 150-foot setback area, which is a legal location.

And underneath that circle we currently have a deep gas Morrow well, with the north half of that section is allocated to it.

Further testimony by the geologic and engineering witnesses will address the necessity to move this location away from the legal locations.

Q. Let's go to what's been marked Enron Exhibit Number 2. Could you identify and review that?

A. Exhibit Number 2 is a topographic map, again depicting the two locations. We're talking about the original location Enron applied for in green, and the current location we are applying for with the red dot.

This map is on the 10-foot contour. As you can note, there's a drainage surface, drainage pattern, coming

down through the location that Enron applied for. And the BLM has stated that we need to move 500 feet to the north to get out of this drainage pattern.

Q. To whom has notice of the Application been provided?

A. Both to the BLM and to the State Land Office.

MR. CARR: Mr. Catanach, at the hearing on the 15th we will present an affidavit confirming that notice has been given to both of those agencies.

Q. (By Mr. Carr) Mr. Tower, will Enron call geological and engineering witnesses to review the technical portions of this case?

A. Yes, we will.

Q. Were Exhibits 1 and 2 prepared by you?

A. Yes, they are.

MR. CARR: At this time, Mr. Catanach, I move admission of Enron Exhibits 1 and 2.

EXAMINER CATANACH: Enron Exhibits 1 and 2 will be admitted as evidence.

MR. CARR: And that concludes my examination of Mr. Tower.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Tower, is it my understanding that your original location of 660 north, 2540 east, was proposed due

to geology?

A. That is correct, geology and engineering reservoir concerns.

Q. Okay. This newly proposed location is one of two options that BLM gave you due to topographic restrictions?

A. This is correct.

Q. Okay.

A. We'll point out, too, that Enron did discuss with the BLM possibly even building a pad or some alternatives to locating the well at the green dot, and basically those were denied.

Q. Is Enron the only working interest owner in the north half of Section 7?

A. We have two partners. Enron controls approximately 96 percent. We have two partners, being Roden Participants, Ltd., and Roden Associates, Ltd., and they are aware of our development activity out here. They have participated in the wells with us to the north and in most of this area.

Q. How about in the south half of Section 6?

A. South half of Section 6, the working interest ownership is identical, again Enron with approximately 96 percent and the two Roden entities with the balance, within --

Q. So it's the same?

A. Same, that's correct.

Q. Okay. Did you say that there was already development in this pool in Section 6?

A. Yes, in the southwest quarter, although this map -- I apologize, it's not up to date.

You'll notice in the south half of the southwest quarter there's two well symbols, the Number 2 and the Number 3. Both those are oil wells in the Bone Spring Pool, with standup 80-acre proration units allocated to them. Those are producing wells Enron has drilled.

In the southeast quarter you'll see a symbol for the Number 4 well, in the southeast-southeast. That was drilled by Enron, and it is a dryhole to the Bone Spring Gas Pool.

The deep gas well in the southwest of the southeast had diminished to a point where Enron did recomplete that in the Bone Spring. It's currently a Bone Spring producer with a standup proration unit, and some of the information on that well will be addressed in the technical presentation to come.

All of those, again, are 80-acre standup proration units for those four wells.

EXAMINER CATANACH: Okay, I have nothing further of this witness.

MR. CARR: At this time we would call Barry Zinz.

BARRY L. ZINZ,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. Barry L. Zinz.

Q. By whom are you employed?

A. Enron Oil and Gas.

Q. And what is your current position with Enron?

A. Geologist.

Q. Have you previously testified before this Division and had your credentials as a geologist accepted and made a matter of record?

A. Yes, I have.

Q. Are you familiar with the Application filed in this case on behalf of Enron?

A. I am.

Q. And have you made a geological study of the subject area?

A. I have.

MR. CARR: Are the witness's qualifications acceptable?

EXAMINER CATANACH: Yes, they are.

Q. (By Mr. Carr) Mr. Zinz, how many wells has Enron

drilled to date in the Red Hills-Bone Spring Pool?

A. Twenty-seven.

Q. Let's go to your Exhibit Number 3, the porosity isopach. Could you review the information on this exhibit for Mr. Catanach?

A. This is a porosity isopach map of the Third Bone Spring Sand interval. It has a 20-foot-contour interval. It is a density-porosity map using a nine-percent density cutoff.

Q. What basically does this show you?

A. It shows that there is a zero porosity line to the east of the Diamond "7" Fed Number 1 well in question here that we want to offset.

Q. And the Diamond Federal well is the well in the spacing unit?

A. That's correct.

Q. You have a trace on this porosity isopach for a cross-section?

A. That's true.

Q. Let's go to that cross-section, and I'd ask you to review that for the Examiner.

A. Cross-section A to A' incorporates the Half "6" Fed Number 1 well, which is located in the south half of Section 6, and it's the deep well that was recompleted to the Third Bone Spring Sand that Mr. Tower mentioned, and it

includes our dryhole that we drilled, the Half "6" Fed Number 4.

If you look at the cross-section, you can see that with this nine-percent cutoff, we estimated approximately 43 feet of porosity in the Half "6" well. And the porosity goes to zero, which is demonstrated in the Half "6" 4 well. And also the sand practically goes to zero too.

So you do have a sand barrier, porosity barrier line established there. I think that line extends to the south in a similar position, next to the Diamond "7" Fed 1 well, which is in the north half of Section 7.

I did not incorporate that log on the cross-section because we drill-stem-tested the Third Bone Spring Sand interval in that well, and the hole conditions were terrible, and the log characteristics were terrible as well. I brought the log with me. I can show you if you want.

We established this 46-foot thickness of porosity, really based on the mud log through that interval. I also brought the mud log as well.

Q. Now, Mr. Zinz, you've talked about 46 feet in the Diamond "7" well in the north half of the northeast of Section 7.

How many feet of sand do you anticipate at the

proposed unorthodox location?

A. We wanted to move to the 2540 location from the east line, which would have put us roughly around 70 feet of potential pay, and then the BLM made us move the 500 feet to the north, and it happens to be roughly a similar footage thickness.

Q. And in making this move, is the real objective to just get into a thicker sand?

A. Not really. The real objective here is to get into a better reservoir. Mr. Cate can address that later on here.

But we feel like if we were forced to drill on the same pad as the Diamond "7" Fed 1, we would encounter similar reservoir conditions that we did in the Half "6" 1, that was recompleted, or even worse, based on the drill stem test information.

So therefore we were wanting to move into a better reservoir position with the unorthodox location.

Q. So what we're talking about here is reservoir quality, not thickness of the sand?

A. That's correct.

Q. In your opinion, would development of this spacing unit with a well at the orthodox location result in reserves ultimately being left in the ground?

A. It would. And we have permeability problems in

various parts of the field, some of which we don't fully understand at this time.

But I fully believe that we're pushing that porosity limit right there, which is creating our permeability problems in the Half "6" 1, and we would definitely see those same kind of conditions in the "7" 1 if we were forced to drill on that location.

Q. Were Exhibits 3 and 4 prepared by you?

A. Yes, they were.

MR. CARR: At this time, Mr. Catanach, I move the admission into evidence of Enron Exhibits 3 and 4.

EXAMINER CATANACH: Exhibits 3 and 4 will be admitted as evidence.

MR. CARR: And that concludes my examination of Mr. Zinz.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Zinz, the Diamond "7" Well Number 1, that well is in the north half of the northeast quarter of Section 7; is that correct?

A. That's correct.

Q. What was that well drilled for?

A. It was a Morrow well, and it is a Morrow well at this time.

It's still producing, and it just would not be

prudent at this time to try to recomplete that well. There's many years left, reservewise, in the Morrow formation there.

Q. Okay. But you did examine the logs from that well?

A. Through the Bone Spring interval, yes, sir.

Q. And determined that there was 46 feet?

A. Yes, sir.

Q. Okay. Roughly the same position as the Half Federal Com Number 6?

A. That's true.

Q. Number 1?

A. Yes, sir.

Q. Right.

A. The one that we recompleted, yes, which is on the cross-section there.

Q. And you mentioned something about permeability problems in that well?

A. Yes.

Q. Can you elaborate on that?

A. Yeah, I guess I can go ahead and do it.

We did run the drill stem test across the interval, and the flow pressures were very minimal, and the final shut-in pressure only built up to, I believe, six thousand, seventy-five hundred pounds, which was -- The

regular bottomhole pressure for the reservoir out there is 9500 pounds, which is telling me that it's tight, low perm.

Q. Has that well been brought on production yet?

A. The Diamond "7" 1?

Q. No, the 6 --

A. Yes, it is, it has been producing. We shut it in to get a bottomhole pressure buildup, and Mr. Cate, I think, will address that.

Q. Okay. Do you know what the rate on that well is?

A. We have been flowing it, now, for five days. We shut it in for 14 days to get the buildup.

If you look at the bottom of the cross-section there, over those five days, it's averaged like 115 barrels and 238,000 cubic feet at 208 pounds flowing casing pressure.

Q. So you want to get it in a thicker portion of the reservoir, but also you're hopeful that it's a more permeable area?

A. That's correct. That's the main issue here, is the permeability. We want to move away from that zero porosity, that edge effect there, to get into better perm.

EXAMINER CATANACH: That's all I have of the witness, Mr. Carr.

MR. CARR: That's all we have with Mr. Zinz, and at this time we would call Randy Cate.

RANDALL S. CATE,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Would you state your name for the record, please?

A. It's Randall Cate. That's C-a-t-e.

Q. And where do you reside?

A. I reside in Midland, Texas.

Q. By whom are you employed?

A. I'm employed by Enron Oil and Gas.

Q. And what is your current position with Enron?

A. I'm a reservoir engineer.

Q. Have you previously testified before this Division and had your credentials as a reservoir engineer accepted and made a matter of record?

A. Yes, I have.

Q. Are you familiar with the Application filed in this case on behalf of Enron?

A. Yes, I am.

Q. And have you made an engineering study of the impact of the well at the proposed location on the recoverable reserves from the pool?

A. Yes, I have.

MR. CARR: Are the witness's qualifications

acceptable?

EXAMINER CATANACH: Yes, they are.

Q. (By Mr. Carr) Mr. Cate, let's go to what's been marked Enron Exhibit 5, and I'd ask you to identify this and review it for Mr. Catanach.

A. All right, this is a projected decline curve on the Half "6" Federal Number 2 well, which is -- It's the middle green circle in the south half of Section 6, there on the Exhibit Number 3, that Mr. Zinz has testified on, the isoporosity map.

And I'm just using this as an example of the hyperbolic decline curve analysis that was performed for my next exhibit where I calculated the drainage areas, and it shows some of the tight rock nature that we're dealing with. Very high initial rates, in the range of 400 barrels per day, for the first month's production. And current rate approximately -- less than six months later, is almost down to 150 barrels per day and continuing that very steep decline.

But it does show, I do believe, based on a tight rock nature, that it should go with a hyperbolic type of decline.

And this will show you the projected EURs in thousands of barrels that are used in my next exhibit.

Q. You're really using this just to show the typical

kind of decline you experience for all Bone Spring wells in the area; is that not right?

A. That's right. In another portion of the field we've got some wells now that have two years of production, and they exhibit the same hyperbolic type of decline.

Q. And then you used this type curve to calculate drainage areas; is that right?

A. Yes, to calculate EURs, ultimate recoveries. And then, based -- apply that with the net footage of pay and come up with the drainage area.

Q. And those calculations are set forth on your Exhibit 6?

A. Yes, they are.

Q. Let's go to that now, and would you review it for Mr. Catanach, please?

A. Exhibit 6, the top of it will show the reservoir data that was used in the drainage area calculations: average porosity of 12 percent, average oil saturation 60 percent, formation volume factor 1.8, recovery factor of 15 percent. And those are taken from log analyses, and the formation volume factor from the PVT data off fluid analysis.

The recovery factor is arrived at from some reservoir modeling and other correlations. And then that gives you the barrels of oil recoverable per acre-foot of

46.55.

Taking that into -- Using that with the decline EURs that were estimated for each of these wells in this table, we can calculate a drainage acres, based on the pay thickness that Mr. Zinz has calculated off logs, and then arrive at a drainage radius for each well.

Those radiuses are now shown in the circles on Exhibit Number 3. And of course these drainages are not ever going to be exactly, you know, radial, perfectly circular. But it does show pictorially here a good representation of what is going on here.

The relevant factors, this Half "6" Number 2, as you can see, it is only going to calculate a drainage acreage of 28 acres, with a corresponding radius of 623 feet. It is a very thick well but, as you can see, with a very steep decline.

So we believe we're in area of some lower permeability compared to the rest of the field.

To go down under these relevant factors, I'll just read those off and then address some more on those.

The Half "6" Federal Number 1, which is the far east well -- with 43 feet showing there, and it is on the cross-section A to A' -- it has a lower permeability than what we've been seeing in the rest of the field, and you can see that on the initial producing rate.

It IP'd for about 200 barrels a day back in April, but within two weeks it was down to approximately 100 barrels a day. We shut it in for buildup. We just got the analysis in yesterday, and it was .02 millidarcies. So it's very tight.

I had projected approximate EUR of 92,000 barrels on it. It may make it, but I think it's even going to do it at lower rates than this 100 barrels a day. I think it's probably going to go down into the 50-barrel-a-day range and then begin that hyperbolic decline.

And that is -- then in taking it -- We anticipate the same type of reservoir down in this Diamond "7" Federal Number 1. If we were to wait approximately ten years to recomplete it, I believe we would anticipate the same type of reservoir there. Based on the DST that Mr. Zinz talked about, very low permeability is indicated on it.

So we did want to move to the west on this spacing unit in order to try to encounter higher permeability and therefore come up with a well that's going to recover reserves that, as you can see, are not included in any of the drainage radius of any of the offset wells, and also allow us an economic producer.

The Diamond "7", the relevant factor number two, again, the Diamond "7" has sand behind pipe. It's producing out of the Morrow right now, with a projected

life of seven to eight years, and also it has a Wolfcamp carbonate behind pipe that we would want to go to. So it pretty much takes it out for behind-pipe completion in the future.

Item number three shows -- I've discussed that -- the DST, very low permeability. Flowing pressures never got over 800 to 900 pounds, and there was only a hundred-pound increase between the initial flow pressure and the final flow pressure.

And then the last item is that the "7" should encounter the higher permeability -- the "7" Number 5, I should say -- would encounter higher permeability in the reservoir than the Diamond "7" Fed location, which is standard, and that also allows us to recover reserves that would ultimately not be recovered.

Q. Now, Mr. Cate, if we go to the first option the BLM gave you, drilling on the wellpad of the existing Diamond "7" Number 1, in your opinion would that be a prudent way to develop the acreage?

A. No, it would not. I believe it would be a very marginal producer and not drain the total reserves that are under this drainage -- or 80-acre unit.

Q. In your opinion, going to the proposed location, you will recover reserves that otherwise will be left in the ground?

A. I believe that's true.

Q. Will approval of this Application therefore be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

Q. Were Exhibits 5 and 6 prepared by you?

A. Yes, they were.

MR. CARR: At this time, Mr. Catanach, we move into evidence Enron Exhibits 5 and 6.

EXAMINER CATANACH: Exhibits 5 and 6 will be admitted as evidence.

MR. CARR: And that concludes my examination of Mr. Cate.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Cate, the Diamond "7" Federal Wells Number -- There's a Number 1 and 2. They're both in the northeast quarter of Section 7; is that correct?

A. Yes, they are.

Q. Okay. Are those both Morrow-producing wells?

A. No. Now, the Diamond "7" Fed Number 2 is a Bone Spring producer, and it is indicated there with 15 feet -- or, excuse me, 17 feet of porosity. And there is a calculation for that well in the drainage area box there on Exhibit Number 5 -- Excuse me, Number 6.

Q. Okay.

A. And it is producing out of the Bone Spring.

Q. Okay. The other Bone Spring producing well is the Diamond "7" State Number 1; is that right?

A. Yes, and the Diamond "7" Federal Number 4 in the south -- well, I guess it's the -- It would be the standup 80 on the northwest there. I didn't do a calculation on it because it was removed, you know, from this location, as far as the effect of the other wells.

But basically, on this exhibit all the black dots are Bone Spring producers.

Q. Okay. Your -- The Well Number 2, located in the south half of Section 6, encountered 112 feet of pay?

A. Yes.

Q. But was tight?

A. Well, we have not done buildup on that. But yes, I would say, based on the decline curve, the rapid initial decline is somewhere in the 90 percent per annum.

And based on that, after a fracture treatment, the way it's declining, I would say yes, it's tight relative to the amount of pay that it has. It did encounter 112 feet of sands. And that type of a rapid decline is indicative of lower-permeability rock.

Q. So in your proposed well location, you're going to a thicker pay section, but how do you know that it's in

a better, higher porosity area?

A. Well, that is one of our risks. But as Mr. Zinz testified, we believe that possibly the permeability should -- The further west you go into the field, it does get better. There are some wells that are still flowing in the 200-barrel-per-day range after six to eight months, and those have indicated better permeabilities, you know, on a relative basis.

And so I think just moving toward the center of the field, that's going to give you better permeability.

And number two, even if we encounter tight but thicker rock, that would still probably allow enough incremental reserves at a rate that's sufficient to make -- you know, make economics on a well also.

Q. From the data that you have now, you cannot calculate a drainage area for the Number 5 well?

A. I have done a 40-acre, based on the approximately 70 feet of pay. If you go at 40 acres -- and of course it all depends on what you actually encounter, what permeability you finally end up with -- 40 acres would give you 130.3 thousand barrels, and that would be 40 acres with approximately 700-foot radius.

And looking at that, comparing to these other EURs, it's right in line with the -- you know, this Half "6" Number 1 and the Half "6" Number 2.

So I would believe that would be something that could be expected, approximately a 700-foot drainage radius. And that would have little or no effect on either the wells to the north or the wells to the south either, and yet would still allow to recover the oil that is in that 80-acre unit.

Q. Do you plan a recompletion of the Well Number -- Is it the Well Number 2 that's -- I'm sorry, the Well Number 1, that's currently a Morrow well? Do you plan a recompletion of that well?

A. Well, not if we get this approved and get to drill this location.

Again, that would not be available for -- the estimate now is, you know, ten years. And I guess there could be a scenario which, if the Number 5 does not seem to recover the oil that might be there, then we may come in for some type of a simultaneous dedication or something in ten years. But there's no plans right now to.

Q. Do you believe that additional reserves will be recovered at the proposed location, as opposed to drilling at a standard location in there?

A. Yes, I do, possibly twice, probably in the range of double the reserves.

Q. And you estimated -- Did you say 130,000 --

A. 130,000 barrels at the nonstandard location. So

somewhere in the maybe 50,000 to 60,000 barrels might be recovered at this Number 1 location, in a recompletion.

And again, we obviously don't want to drill a well for that -- at that location at this point in time.

EXAMINER CATANACH: That's all I have, Mr. Carr.

MR. CARR: We have nothing further in this case, Mr. Catanach.

EXAMINER CATANACH: There being nothing further in this case, Case 11,291 will be taken under advisement.

(Thereupon, these proceedings were concluded at 9:30 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11291 heard by me on June 1 1995.

David R. Catanach, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL June 2, 1995.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998