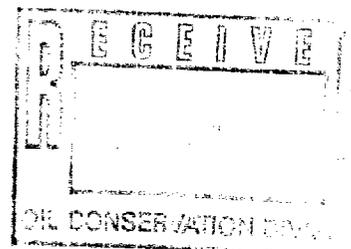


STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
 CALLED BY THE OIL CONSERVATION)
 DIVISION FOR THE PURPOSE OF)
 CONSIDERING:)
)
 APPLICATION OF BONNEVILLE FUELS)
 CORPORATION)
)

CASE NO. 11,317



ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

June 29th, 1995

Hobbs, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, June 29th, 1995, at Hobbs City Hall, Commission Hearing Room, 300 North Turner, Hobbs, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7, State of New Mexico.

* * *

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June 29th, 1995
 Examiner Hearing
 CASE NO. 11,317

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* * *

A P P E A R A N C E S

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By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:47 a.m.:

3 EXAMINER STOGNER: At this time I'll call next
4 case, Number 11,317. That's on page 2.

5 MR. CARROLL: Application of Bonneville Fuels
6 Corporation for compulsory pooling and an unorthodox oil
7 well location, Lea County, New Mexico.

8 EXAMINER STOGNER: At this time I'll call for
9 appearances.

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

13 We represent Bonneville Fuels Corporation, and I
14 have three witnesses.

15 EXAMINER STOGNER: Any other appearances in this
16 matter?

17 Will the witnesses please stand to be sworn at
18 this time?

19 (Thereupon, the witnesses were sworn.)

20 DAVID R. SPELMAN,
21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. CARR:

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

1 A. My name is David R. Spelman.

2 Q. And where do you reside?

3 A. Lakewood, Colorado.

4 Q. Mr. Spelman, by whom are you employed?

5 A. As a consultant by Bonnevillle Fuels Corporation.

6 Q. Have you previously testified before the New
7 Mexico Oil Conservation Division?

8 A. No.

9 Q. Could you summarize or review your educational
10 background for Mr. Stogner?

11 A. I have a bachelor's degree from the University of
12 Colorado.

13 Q. And when was that received?

14 A. 1971.

15 Q. Since graduation, for whom have you worked?

16 A. I've been continuously employed in the oil and
17 gas business since 1968. Shell Oil Company, Lab Petroleum,
18 Coastal Oil and Gas, M-Gore Petroleum, Worldwide Energy,
19 Bonneville Fuels Corporation, and several other consulting
20 projects.

21 Q. And in these various positions have you been
22 called upon to perform petroleum land services?

23 A. Yes, it's been continuous and has included areas
24 under my supervision or under my control in the State of
25 New Mexico.

1 Q. All this time you've worked as a landman?

2 A. Yes.

3 Q. Okay. Are you familiar with the Application
4 filed in this case on behalf of Bonneville Fuels
5 Corporation?

6 A. Yes.

7 Q. And are you familiar with the subject area and
8 the proposed well?

9 A. Yes.

10 MR. CARR: Mr. Stogner, at this time we tender
11 Mr. Spelman as an expert witness in petroleum land matters.

12 EXAMINER STOGNER: Mr. Spelman is so qualified.

13 Q. (By Mr. Carr) Mr. Spelman, would you briefly
14 state what Bonneville seeks with this Application?

15 A. They have two purposes. They are seeking an
16 order pooling all the mineral interests from the surface to
17 the base of the Strawn formation under the west half,
18 southwest quarter, Section 13, 17 south, 37 east, and an
19 approval for an unorthodox well location for the Norris
20 Number 4 well, to be drilled at an unorthodox location 710
21 feet from the south line and 330 feet from the west line of
22 Section 13.

23 Q. Have you prepared certain exhibits for
24 presentation here today?

25 A. Yes.

1 Q. Let's go to what has been marked for
2 identification as Bonneville Exhibit Number 1, and I would
3 ask you to identify this exhibit and review the information
4 on it for Mr. Stogner.

5 A. This exhibit is identified as a land plat. It
6 shows the proposed well location, which is located in the
7 west half, southwest of Section 13, which is also the
8 proposed spacing unit for this well.

9 There are -- There's an existing well to the
10 southeast in the same section, with a laydown spacing unit,
11 and -- Let's see.

12 Q. And that's the Norris Number 2?

13 A. Yes.

14 Q. Okay. In the subject spacing unit there's also
15 an existing well, is there not?

16 A. There is a dryhole located in the northern
17 portion of the west half, southwest quarter.

18 Q. And that's the Norris Number 1 well?

19 A. Yes.

20 Q. Does this exhibit show the ownership under the
21 subject spacing unit?

22 A. Yes, it reflects 14 working interest owners and
23 6 -- 8, rather, unleased mineral interest owners.

24 Q. And those are set out in the spacing unit itself?

25 A. Which are shown on the -- inside the spacing

1 unit, the bottom portion.

2 Q. Are the operators of the offsetting tracts also
3 shown?

4 A. Yes, and those -- Both the east and west are
5 Bonneville Fuel Corporation.

6 Q. And what is the status of the acreage south of
7 the proposed location?

8 A. A hundred percent of that interest in the
9 northwest quarter of Section 24 is released.

10 In the northeast of 23, 56 percent is leased to
11 Bonneville Fuels Corporation and their partners, and the
12 balance of about 44 percent released.

13 Q. This well is unorthodox inasmuch as it is too
14 close to the western boundary of the spacing unit. Does
15 Bonneville operate the tract west of the proposed location?

16 A. There's a producing well, the Lottie York Number
17 1, located in the spacing unit of the east half of the
18 southeast quarter of Section 14, and Bonneville operates
19 that well, and 100 percent of that interest is leased to
20 Bonneville.

21 Q. Okay. The primary objective in this well is the
22 Strawn formation?

23 A. Yes.

24 Q. What is the status of the working interest in the
25 subject area? And I'm talking about commitment to the

1 drilling and development of the tract with the Norris
2 Number 4 well.

3 A. A hundred percent of the working interest owners
4 have committed to participate in the drilling of the well.
5 All of the leasehold owners have elected to participate.

6 Q. Let's go to what has been marked for
7 identification as Bonneville Exhibit Number 2. Could you
8 identify that, please?

9 A. This is an exhibit of the mineral interest
10 owners. There are approximately -- over 70 of them that
11 are leased, representing 98.72-percent mineral interest.

12 There are seven parties who are unleased mineral
13 interest owners, representing 1.28 percent, which we've
14 been unable to locate, that are shown as missing heirs.

15 Q. And those are the parties who will be subject to
16 this pooling Application?

17 A. Yes, and I think it might be important to point
18 out to the Commission that these parties arise by virtue of
19 deeds in the 1930s and estates in the 1940s, and there's no
20 estate or probate information.

21 And they were also force-pooled under the Norris
22 Number 1, the Norris Number 2 and the Norris Number 3
23 wells, which were drilled between 1983 and 1986.

24 Q. Have you made an effort to again identify and
25 locate these individuals?

1 A. Yes.

2 Q. Were additional parties contacted in connection
3 with this case?

4 A. Yes. As a matter of fact, there's been an
5 ongoing effort to try to find them for royalty purposes
6 since 1983 under the existing Norris Number 2 well, and out
7 of an abundance of precaution we have located six potential
8 heirs, even though there's no ancillary probate, and we
9 gave them notice. Notice was sent to all parties -- all of
10 the unleased heirs -- on April 28th, and all of those
11 letters were returned.

12 Q. In your opinion have you made a good-faith effort
13 to locate all individuals who may have an ownership
14 interest in these tracts?

15 A. Yes, definitely.

16 Q. Mr. Spelman, you are aware that a letter of
17 protest was received from James Daughtry and Blaine
18 Daughtry concerning this proposed well and spacing unit?

19 A. Yes.

20 Q. Do the Daughtrys own any interest in the subject
21 spacing unit?

22 A. They have no interest in the spacing unit.

23 Q. Where do the Daughtrys in fact own an interest in
24 this area?

25 A. They have an unleased mineral interest in the

1 northwest corner of Section 24, approximately -- As a
2 family, they control about a one-third working interest.

3 It should also be located that there's a dryhole
4 in the northwest-northwest of Section 24.

5 Q. But they have no interest under this spacing
6 unit?

7 A. That's correct.

8 Q. And the well is more than a standard setback from
9 the south line of the proposed spacing unit?

10 A. That's correct.

11 Q. Could you identify what has been marked as
12 Exhibit Number 3?

13 A. Oh, this is the affidavit of letters reflecting
14 attempts to obtain voluntary joinder --

15 MR. CARR: And --

16 THE WITNESS: -- which I --

17 MR. CARR: -- Mr. Examiner, attached to the
18 affidavit is not only a list of those parties to whom
19 notice was provided, but also copies of the letters, the
20 return receipts and the returned letters.

21 EXAMINER STOGNER: I'm not locating that Exhibit
22 Number 3.

23 THE WITNESS: It's thick.

24 EXAMINER STOGNER: Oh --

25 MR. CARR: Right --

1 EXAMINER STOGNER: -- I'm -- Duh. Here it is.
2 It's that thick one.

3 Q. (By Mr. Carr) Mr. Spelman, will Bonneville seek
4 to be designated operator of the Norris Number 4 well?

5 A. Yes.

6 Q. Will Bonneville also be calling geological and
7 engineering witnesses to review the necessity for the
8 unorthodox location?

9 A. Yes.

10 Q. And also to review the risk associated with this
11 project?

12 A. Yes.

13 Q. Were Exhibits 1 through 3 either prepared by you
14 or under your direction?

15 A. Yes.

16 MR. CARR: At this time, Mr. Stogner, we move the
17 admission into evidence of Bonneville Exhibits 1 through 3.

18 EXAMINER STOGNER: Exhibits 1 through 3 will be
19 admitted into evidence at this time.

20 MR. CARR: And that concludes my direct
21 examination of Mr. Spelman.

22 EXAMINATION

23 BY EXAMINER STOGNER:

24 Q. Mr. Spelman, I want to make sure I've got the
25 numbers right here.

1 The percentage that is being force-pooled on
2 Exhibit Number 2 represents what percentage?

3 A. 1.28 percent.

4 Q. Of the mineral interest ownership?

5 A. Yes.

6 Q. And the rest of the 90 -- What? 97 plus --

7 A. 98.72 percent is voluntarily joined. Or actually
8 that's a 100-percent lease, and both the working interest
9 owners have joined.

10 Q. That 1.28 percent represents how many parties?

11 A. Those are shown on Exhibit 2. They actually
12 represent what is probably seven estates.

13 Q. And that's listed on the bottom of page 2, the
14 William G. Lee, Mason, Collins -- several Collinses?

15 A. The Collins heirs and the Burfeind heirs.

16 Q. Okay. Now, of these parties that have been
17 unleased, how many of them could be contacted or reached?

18 A. There was no response from any of those parties.

19 Q. Okay. So you just weren't able to find them?

20 A. And as a matter of fact, in the 1983 force-
21 pooling of the same parties, they were classified as
22 missing heirs.

23 Q. You're referring to that 1983 force-pooling.
24 That was for the P-and-A'd well, Norris Well Number 1?

25 A. No, actually their ownership extends under the

1 entire -- The ownership is generally common under the
2 entire south half of the section. So they have an interest
3 also in the existing producing well, the Norris Number 2.

4 And the Norris Number 3 was drilled also in the
5 south half, and the -- So there are three wells in which
6 they have been previously force-pooled, one of which is
7 currently producing.

8 Q. Were those force-pooled by Bonneville also?

9 A. They were force-pooled by Bonneville's
10 predecessor, Enexco Oil.

11 Q. Enexco?

12 A. Uh-huh. The revenue for all of those parties for
13 the Norris Number 2 is currently escheating to the State.

14 Q. Now, all those unleased parties, they were lost
15 -- what? Back in the 1930s and 1940s?

16 A. The Mae Williams -- Mae Lee was a 1930s deed.
17 G.A. Mason, I believe, was in the -- in the 1940s; I don't
18 know the exact year. And the Collins heirs were the result
19 of an Alex Collins, who was deceased in 1946.

20 And the -- It's probably understandable, because
21 those five parties as a group -- Well, they own a
22 .00006056, and it's felt that they're probably ancillary
23 probate. Most of these parties lived in Texas, and they
24 probably never felt the justification of doing an ancillary
25 probate for such small interests.

1 Q. Tremendous amount of work for just a few --

2 A. But we got the other 78 people.

3 Q. And you were able to contact all them, obviously?

4 A. Yes.

5 Q. Well, that's a feat in itself.

6 Now, I notice that you have an L. Maurice Collins
7 that has agreed. Is that any kin to the Collins --

8 A. There's a large -- There's more Collinses, and we
9 have tried to use them as informants.

10 I'm really convinced that the Collins heirs
11 simply don't want to straighten up the problem, because
12 these parties died in the 1940s, and we're probably dealing
13 with two estates, and we're dealing with less than -- We're
14 getting down to probably a thousandth of a percent over the
15 whole life of the well, would probably be only worth a few
16 hundred dollars. It probably doesn't justify an ancillary
17 probate for six or eight heirs underneath each one of the
18 named parties.

19 Q. I believe a Roy G. Barton -- Does his name also
20 appear on this volunteer list? I see his name appeared --

21 A. There's a Roy G. Barton, Jr., who's a leased
22 mineral interest, on page 1.

23 EXAMINER STOGNER: Okay. Well, I have no other
24 questions of Mr. Spelman. He may be excused at this time.

25 MR. CARR: We have no further questions of Mr.

1 Spelman, and at this time we would call Bob Kozarek.

2 BOB KOZAREK,

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

5 DIRECT EXAMINATION

6 BY MR. CARR:

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

8 A. My name is Bob Kozarek.

9 Q. Can you spell your last name, please?

10 A. K-o-z-a-r-e-k.

11 Q. Where do you reside?

12 A. Denver, Colorado.

13 Q. By whom are you employed?

14 A. As a consulting geologist by Bonneville Fuels.

15 Q. Have you previously testified before the New
16 Mexico Oil Conservation Division?

17 A. Yes, I have.

18 Q. At the time of that prior testimony, were your
19 credentials as a petroleum geologist accepted and made a
20 matter of record?

21 A. Yes, they were.

22 Q. Are you familiar with the Application filed in
23 this case on behalf of Bonneville Fuels Corporation?

24 A. Yes, I am.

25 Q. And are you familiar with the subject area?

1 A. Yes, I am.

2 Q. Have you made a geologic study of this area?

3 A. Yes.

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

6 EXAMINER STOGNER: They are.

7 Q. (By Mr. Carr) Have you prepared certain exhibits
8 for presentation here today?

9 A. Yes, I have.

10 Q. Let's go to what has been marked Bonneville Fuels
11 Corporation Exhibit Number 4, and I would ask you to
12 identify that and review it for the Examiner.

13 Do you have a copy of it?

14 A. Yes, I do.

15 Exhibit Number 4 is a summation of the porosity
16 feet of the upper Strawn limestone in the study area.

17 The contour -- Now, this map was constructed
18 using neutron density porosity logs. The porosity was
19 calculated every two feet, summed over the entire interval
20 of Strawn porosity greater than four percent, and then
21 multiplied by two, because I was doing it every two feet.

22 Those values were then posted and contoured. I
23 have a contour interval of three, which is the equivalent
24 of three feet of 100-percent porosity.

25 So if you look on the map, the Number 1 Lottie

1 York, for instance, has a value of 17.02. That's the same
2 thing as 17 feet of 100-percent porosity, or approximately
3 170 feet of 10-percent porosity would be another way of
4 looking at it.

5 This map was constructed with the use of the
6 subsurface information that was available through well
7 logs. And in addition to that, we placed a great deal of
8 credibility on a 3-D seismic program that we've conducted
9 in the area.

10 And you can see that some of the contours, as
11 they stand, are uncontrolled by the subsurface information,
12 but the 3-D seismic program that we have in the area
13 indicated that those would be valid.

14 And a recently drilled well that Bonneville
15 operated just to the west of this area, the Lottie York
16 Number 3, we did the same thing with, when we came to the
17 Commission, and that well, the values that I had posted
18 that were uncontrolled did hold up through the 3-D seismic.
19 So we feel it's a very effective tool in the area.

20 This map also shows the west half of the
21 southwest as the spacing unit for the proposed Number 4
22 Norris location. It has posted within that spacing unit
23 the spacing pattern window for a well to be located as a
24 standup 80 in the south half of the southwest.

25 And you can see that we are outside that spacing

1 pattern window by several hundred feet to the west. And
2 the reason that we are outside that spacing pattern window
3 is because we feel that we can gain a better section of
4 porosity if we move further to the west.

5 Q. Now, Mr. Kozarek, the circle in the center of the
6 southern 40 spacing unit, that circle indicates where a
7 standard -- That's a standard well location?

8 A. That's the legal location, yes, within that
9 window.

10 Q. If you were required to drill at that location,
11 in your opinion, could you make a successful well?

12 A. It's still possible to make a successful well,
13 but a better well could be achieved by moving it further to
14 the west and gaining more porosity.

15 Q. If required to drill at a standard location, in
16 your opinion, would you be able to effectively drain the
17 remaining reserves under the spacing unit?

18 A. No.

19 Q. There's also a trace on this exhibit for a cross-
20 section A-A'?

21 A. Correct.

22 Q. Let's go to that now, and could you identify and
23 review that for Mr. Stogner?

24 A. That would be Exhibit 5 --

25 Q. Yes, sir.

1 A. -- and A-A' is posted on the porosity map, and
2 it's essentially a west-east cross-section going through
3 the Number 1 Norris to the Number 1 Lottie York through a
4 proposed Number 4 Norris location and then over to the east
5 to the Number 2 Norris producing well.

6 And this cross-section is a stratigraphic cross-
7 section that is hung on top of the lower Strawn sand, and
8 it was constructed to show the nature of these upper Strawn
9 algal foraminiferal mounds, the growth that occurs within
10 them in a short distance.

11 If we look on the cross-section between the wells
12 on the left-hand side of the cross-section, the Bonneville
13 Fuels Number 1 Norris and the Bonneville Fuels Number 1
14 Lottie York, we can see that in a space of approximately a
15 thousand feet we go from 150 feet of upper Strawn limestone
16 to over 250 feet. So there's quite a bit of growth in a
17 short distance.

18 Concordant with that algal mound growth is also
19 the development of porosity. We can see in the Number 1
20 Norris we only have two feet of effective porosity, whereas
21 in the Number 1 Lottie York we have approximately 170 feet
22 of effective porosity. So these algal mounds can come and
23 go rather quickly.

24 The other thing that the cross-section shows is
25 that -- the nature of our proposed location to the Norris

1 Number 2 well, which would apparently put it in the same
2 mound, according to both the subsurface and the seismic
3 information.

4 Q. In your opinion, is the proposed unorthodox
5 location necessary to effectively drain the reserves under
6 this spacing unit?

7 A. Yes, we want to drill the optimal location, and
8 this would be the optimal location.

9 Q. Will Bonneville also call an engineering witness
10 to review the risk associated with this project?

11 A. Yes, we will.

12 Q. Were Exhibits 4 and 5 prepared by you?

13 A. Yes, they were.

14 MR. CARR: At this time, Mr Stogner, we move the
15 admission into evidence of Exhibits 4 and 5.

16 EXAMINER STOGNER: Exhibits 4 and 5 will be
17 admitted into evidence.

18 MR. CARR: That concludes my direct examination
19 of Mr. Kozarek.

20 EXAMINATION

21 BY EXAMINER STOGNER:

22 Q. Let's start with the cross-section first.

23 A. Okay.

24 Q. On the subject algal mound which you're drilling
25 into at this -- presently producing by the Lottie York -- I

1 assume that's still a producing well?

2 A. Yes, it is.

3 Q. Are you trying to show that there are two
4 essentially small algal mound formations, one being the
5 upper one, the thick one, but you also look like you have a
6 smaller one underneath that's --

7 A. Oh, yes, in the Lottie York Number 1, there was a
8 smaller porosity zone or algal mound that was developed on
9 the cross-section in the Lottie 1. It had come in at about
10 a depth of about 11,626. And that hasn't been tested.
11 Logs -- Log information indicates that it would be wet.

12 Q. Now, the Norris Number 2, it looks like you're on
13 the outskirts of both of those, or if you want to say the
14 edge of both of those mounds.

15 A. Correct, and that is not as big of a performer as
16 the Lottie York Number 1, for instance.

17 And I would like to make that point, that these
18 values on the summation ϕh map are very correlative of the
19 estimated ultimate recoveries or correlative to them. You
20 can see that on the Lottie York Number 2, we have a value
21 of 5, and we have an estimated ultimate recovery of
22 approximately a half a million barrels. The Lottie York
23 Number 1 has a value of 17, approximately three times that
24 of the Lottie Number 1 -- or Lottie Number 2, excuse me.
25 And the reserves, estimated ultimate recoveries for the

1 Lottie Number 1, is approximately three times that of the
2 Lottie 2.

3 So there's a pretty good correlation between the
4 summation ϕh and the estimated ultimate recoveries.

5 Q. On your Exhibit Number 4, how extensive was
6 seismic work utilized in developing this particular
7 exhibit?

8 A. It was used for the general zero edge of the
9 mound feature, and -- to the extent of the control of some
10 of those closures, for instance, the closure that the
11 Lottie Number 1 is in and our proposed Number 4 Norris
12 location is in, the boundaries of that were established
13 from the 3-D seismic.

14 And then that uncontrolled 6 value back to the
15 west a little bit was -- the 3-D seismic was utilized to
16 put that on.

17 Q. When was the 3-D seismic run out there in this
18 region?

19 A. It was completed this -- early fall of 1994.

20 Q. Fall of 1994. Now, prior to that there was a lot
21 of surface seismic telemetry or --

22 A. There was 2-D seismic in the area, which is just
23 your basic straight seismic line.

24 Q. Was that utilized also --

25 A. That was utilized to help us define where we

1 wanted to -- the boundaries of our 3-D seismic survey. And
2 it had been utilized by our predecessor in the area,
3 Enexco. It had met with some limited success. You can see
4 that there are a number of dryholes on this map, and a
5 number of those were placed through the use of 2-D seismic
6 data.

7 And the problem with that is that the coverage
8 isn't extensive enough to give you an accurate picture of
9 what these mounds look like.

10 But with 3-D data you have a line every 110 feet,
11 and you get good, continuous coverage across a wide area.

12 Q. In looking at the data from the old 2-D seismic
13 with the 3-D seismic, were you able to determine how
14 successful the 2-D -- You said that there was a lot of
15 dryholes out there. Was there some correlation, or at
16 least trying to match them up?

17 A. Some of the -- In the areas where the mound is
18 the most extensive and thickest, the 2-D correlated very
19 well with the 3-D, or vice-versa.

20 There are some -- I think what we had in the case
21 of those dryholes are some spurious events that didn't have
22 too much areal extent to them. They may have been 10 acres
23 or so.

24 And what the 3-D helps you define is the areal
25 extent and also the validity of the feature that you're

1 looking at. Meaning, if it's got greater areal extent,
2 it's probably a more -- it's probably a valid feature.

3 EXAMINER STOGNER: I have no other questions of
4 this witness. You may be excused. Thank you, sir.

5 MR. CARR: At this time we call Mr. Cable.

6 EXAMINER STOGNER: Mr. Carr?

7 JAMES O. CABLE,

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

10 DIRECT EXAMINATION

11 BY MR. CARR:

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

13 A. Yes, James Cable.

14 Q. And where do you reside?

15 A. In Castle Rock, Colorado.

16 Q. By whom are you employed?

17 A. By Bonneville Fuels.

18 Q. What is your current position with Bonneville?

19 A. Vice president of operations.

20 Q. Mr. Cable, have you previously testified before
21 this Division?

22 A. Yes, I have.

23 Q. At the time of that prior testimony, were your
24 credentials accepted and made a matter of record?

25 A. Yes, they were.

1 Q. And how were you qualified? As a petroleum
2 engineer?

3 A. As a petroleum engineer.

4 Q. Are you familiar with the Application filed in
5 this case?

6 A. I am.

7 Q. Are you familiar with the proposed Norris Number
8 4?

9 A. I am.

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

12 EXAMINER STOGNER: They are.

13 Q. (By Mr. Carr) Now, the primary objective in this
14 well is the Strawn; is that correct?

15 A. That's correct.

16 Q. And in what pool will this well be located?

17 A. This will be in the South Humble City Pool.

18 Q. What are the well-location and spacing
19 requirements in the pool?

20 A. The spacing requirements are in the quarter-
21 quarter, the center of the quarter-quarter, with a 150-foot
22 radius.

23 Q. And 80-acre spacing?

24 A. And 80-acre spacing.

25 Q. I think initially, Mr. Cable, I'd like you to

1 turn to what has been marked Bonneville Exhibit Number 6.

2 A. Uh-huh.

3 Q. Can you identify this and then just briefly
4 review the information on the exhibit for the Examiner?

5 A. Yes, this is a summary of the issues for the
6 unorthodox location.

7 Basically, we have spent approximately \$175,000
8 in the 3-D seismic directional drilling information and
9 geological information, putting this information together.

10 The porosity isopach exhibit, as we've seen
11 previously, shows this to be a very narrow or a very steep-
12 sided structure in certain areas, and the proposed location
13 is selected specifically to improve the opportunity to
14 intersect as much productive thickness in the reservoir as
15 possible.

16 Q. Basically what you've been able to do is
17 establish sort of a geometric definition of this proposed
18 mound or target?

19 A. That's correct.

20 Q. And then by going to this location and drilling
21 based on this geometric definition --

22 A. Uh-huh.

23 Q. -- you're going to hopefully be able to maximize
24 recovery?

25 A. That's correct.

1 Q. And if you were required to drill within that
2 standard-location window or circle, you would not be able
3 to maximize the --

4 A. We don't believe we would be able to maximize
5 recovery, and it would increase our risk significantly.

6 Q. Have you attempted to estimate the recoverable
7 reserves for the Norris Number 4 well?

8 A. Yes, we have, based on the porosity isopach. We
9 estimate 285,000 barrels of oil and approximately .45 BCF
10 of natural gas recoverable from this well.

11 Q. Now, Mr. Cable, has Bonneville drilled other
12 Strawn wells in this area?

13 A. Yes, we have. We just finished drilling the
14 Lottie York Number 3 well.

15 Q. Could you identify what has been marked as
16 Bonneville Exhibit Number 7, please?

17 A. Yes, this is the AFE estimate for drilling and
18 completing this well-cost estimate.

19 Q. Would you review the totals for me, please?

20 A. Yes, our dryhole costs are approximately
21 \$483,000, completion costs are another \$419,000, for a
22 total of about \$902,000.

23 Q. Are these figures consistent with your recent
24 experience drilling Strawn wells in this area?

25 A. Yes, as I mentioned, that we just drilled the

1 Lottie York Number 3 well. Although we haven't done the
2 total completion on this, the drilling costs were within
3 approximately three percent.

4 And in addition we've had various AFEs in the
5 surrounding area from other operators that were in this
6 general area of well cost.

7 Q. Have you made an estimate of the overhead and
8 administrative costs to be incurred while drilling this
9 well and also while producing it if it is successful?

10 A. Yes, we have.

11 Q. And what are those?

12 A. Those costs are \$500 a month for overhead and
13 \$5000 a month for drilling costs.

14 Q. And what is the source of these figures?

15 A. The source of these figures is recent JOAs and
16 other information in the area.

17 Q. And is it consistent with the agreement you have
18 with your other partners?

19 A. With our other partners, that's correct.

20 Q. Do you recommend that these figures be
21 incorporated into the order that results from this hearing?

22 A. Yes, I do.

23 Q. Now, by using these technologies you've been able
24 to maximize, in your opinion, the opportunity of drilling a
25 successful well?

1 A. Correct.

2 Q. Are you prepared to make a recommendation to the
3 Examiner concerning the risk penalty that should be
4 assessed against those parties who do not voluntarily come
5 into the well?

6 A. Yes, I believe that they should face a penalty of
7 200 percent, the maximum penalty.

8 Q. Okay. And what do you base that recommendation
9 on?

10 A. We base that recommendation on the fact that we
11 have the Norris Number 1 dryhole, which is just to the
12 north of this location, we have the possibility of
13 depletion from the Lottie York Number 1 at this location.

14 We also are asking our seismic to look 10,000
15 feet down and give us a good location. And I think there's
16 a certain amount of risk in the steep-sidedness of what we
17 know about the reservoir.

18 Q. Do you believe that it is possible that
19 Bonneville could drill a well at this location that in fact
20 would not be a commercial success?

21 A. Yes, I do.

22 Q. Now, Mr. Cable, after payout what will be done
23 with the funds attributable to the interest owners who are
24 being pooled in this proceeding?

25 A. Those funds will be placed in escrow in a Lea

1 County bank.

2 Q. In your opinion, will approval of the Application
3 and drilling of the Norris Number 4 at the proposed
4 unorthodox well location be in the best interests of
5 conservation, the prevention of waste and the protection of
6 correlative rights?

7 A. Absolutely.

8 Q. Were Exhibits 6 and 7 prepared by you or compiled
9 under your direction?

10 A. Yes, they were.

11 MR. CARR: At this time, Mr. Stogner, we move the
12 admission into evidence of Bonneville Exhibits 6 and 7.

13 EXAMINER STOGNER: Exhibits 6 and 7 will be
14 admitted into evidence at this time.

15 MR. CARR: And that concludes my examination of
16 Mr. Cable.

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. Mr. Cable, in referring to Exhibit Number 6, you
20 were talking about an expenditure of \$175,000?

21 A. Uh-huh.

22 Q. And included in that was directional drilling,
23 gyro surveys?

24 A. Yes.

25 Q. Do you want to elaborate on that cost a little

1 bit?

2 A. Yes, we did a gyro survey on the Lottie York
3 Number 2 and found that the well had moved from the surface
4 location 70 feet to the west and approximately 16 feet to
5 the north, for a total location of about 72 feet away from
6 the surface location.

7 We were concerned about how much on some of these
8 steep-sided slopes a well might move, and in this
9 particular case it seemed to corkscrew down and come in
10 relatively close.

11 Q. That's pretty close.

12 A. Yes, yes. It had moved at times up to 3.5 and 4
13 degrees on individual surveys, and that's why we were
14 concerned.

15 Q. Now, are you referring to when the actual -- you
16 were trying to look when the bit went into the algal mound,
17 or are you talking about some of the upper structures?

18 A. I was concerned about all of those, and it turned
19 out not to be a major concern.

20 Q. I'm assuming that you did that, that Bonneville
21 did that, because the location is so close in these little
22 algal mounds.

23 A. That's correct, we were concerned that we might
24 track off of our targets significantly, and we did not want
25 to do that.

1 Q. In the drilling of the proposed well, are you
2 going to be using measurement while drilling, or are you
3 going to be doing some extra or additional surveys to make
4 sure?

5 A. I don't believe so. Since we've had relative
6 success and we did not see the movement, we'll probably go
7 with the standard surveys, one every 500 feet.

8 Q. Now, you're qualified as a petroleum engineer; is
9 that correct?

10 A. That's correct.

11 Q. Did you research or look or review the well to
12 the south? There's a dryhole in Section 24. Did you
13 review that data, perchance?

14 A. No, I did not, specifically.

15 Q. Why not?

16 A. I did not because Bob Kozarek, our geologist, had
17 revised that and come up that there was no potential Strawn
18 in that location.

19 Q. Is that because it's on the other side of the
20 zero line, on Exhibit Number 4, as far as the porosity?

21 A. Yes, there is no porosity in that well, in the
22 Strawn.

23 Q. So the minimization of drainage from this well --
24 I'm getting at it because Mr. Daughtry did object to an
25 unorthodox location --

1 A. Yes, uh-huh.

2 Q. -- and I did -- I was the only one in the office
3 at the time, and I did spend some time talking with him on
4 it.

5 Okay, I want to make sure about the drainage
6 issue.

7 A. Right, we don't feel that there is any potential
8 or possibility of any drainage, because we simply see no
9 porosity in the Strawn at that location. And that's
10 basically from Mr. Kozarek.

11 EXAMINER STOGNER: I wanted to get that in the
12 record, Mr. Carr.

13 I have no further questions of Mr. Cable at this
14 time.

15 MR. CARR: Then that concludes our presentation
16 in this case.

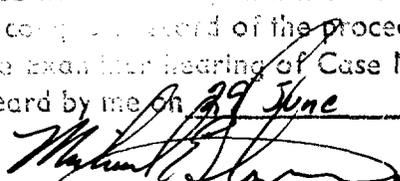
17 EXAMINER STOGNER: Does anybody else have
18 anything further in Case Number 11,317?

19 If not, then this case will be taken under
20 advisement.

21 (Thereupon, these proceedings were concluded at
22 9:24 a.m.)

23 * * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the examination hearing of Case No. 11317
heard by me on 29 June 1995.

24 
25 **Off Conservation Division**

Examiner

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 July 2nd, 1995.



 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998