STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	)	CASE NO. 11,389
APPLICATION OF NEARBURG EXPLORATION COMPANY	)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 21, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 21st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

September 21st, 1995
Examiner Hearing
CASE NO. 11,389

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	8	16
Exhibit 2	12	16
Exhibit 3	14	16
Exhibit 4	15	16
Exhibit 5	19	25
Exhibit 6	27, 28	34
Exhibit 7	38, 39	45
Exhibit 8	43	45
Exhibit 9	47	-

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

WHEREUPON, the following proceedings were had at 1:00 p.m.:

EXAMINER CATANACH: Call the hearing back to order, and at this time I'll call Case 11,389, Application of Nearburg Exploration Company for compulsory pooling, directional drilling, a nonstandard oil proration unit, and an unorthodox bottomhole oil well location, Lea County, New Mexico.

Are there appearances in this case?

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of the Applicant, and I have four witnesses to be sworn.

EXAMINER CATANACH: Any other appearances?

Will the witnesses please stand to be sworn?

(Thereupon, the witnesses were sworn.)

MR. KELLAHIN: Mr. Examiner, let me give you a brief description of some of the unusual factors of this case and a quick checklist of what identify to be the issues.

Let me begin by saying that we are in the unusual circumstance where there is the possibility that our proposed location may be amended after today's hearing. We are certainly very sensitive to the Division's desire not to be placed in this situation. Despite our efforts, all

of the seismic work that are required to refine our ability to determine the best location have not been completed.

We are seeking permission to drill a well that will be subject to the South Humble City-Strawn Oil Pool rules. That pool is spaced upon 80 acres. Well locations to be standard must be within 150 feet of the center of a 40-acre tract.

At this point in time, there's the need to complete compulsory pooling. We'll demonstrate to you that there is one remaining mineral owner with whom we are -- not been able to contact. And that interest, when divided in the spacing unit, is 0.28 percent of the production. And because we are unable to find this lady, we'll need the elements of a compulsory pooling application. That is the rather routine part of the case.

The more unconventional part is that we're proposing to bottom the well at an unorthodox location which will be 330 feet out of the north and east sides of an 80-acre spacing unit, which would consist of the north half of the northwest quarter of Section 7. We want to be, then, in Unit Letter C, with the bottomhole location.

We want to re-enter the Stillings 7 well, which is an existing well, and that well is in the northwest of the northwest. It's in Unit Letter D. We're going to demonstrate to you that there is an economic savings of

about $100,000 to let us re-enter the Stillings well.

The current best location for access to the reservoir has been determined by 2-D seismic work. We'll present our geologist and our geophysicist to show you the status of that analysis.

I need to share with you, though, that additional 3-D seismic work has been contracted for, has been planned, and unfortunately has not been completed. When that work is complete and analyzed, I need to alert you that it may confirm this location or it may not.

The driving influence for coming to the hearing today is that we have an expiring lease. It's a federal lease that expires on November 1st, and it's a substantial lease. And so we're compelled to come before you with a decision to be made on a location that may move.

I'd like to present this technical case to you, and at the conclusion we'll ask your assistance and guidance on how to process the case, once you have before you the facts that we believe are important upon which to make a decision.

The first witness is Mike Gray. Mr. Gray is a petroleum landman, and we'll begin with that portion of the testimony.

We'll then go into the geology, and finally the drilling engineer will talk about the aspects of the

directional drilling.

And with your permission, we'll start with Mr. Gray.

EXAMINER CATANACH: Let's go.

MICHAEL M. GRAY,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, Mr. Gray, would you please state your name and occupation?

A. Michael M. Gray. I'm a petroleum landman consulting for Nearburg Production Company in Midland, Texas.

Q. As part of your consulting employment for Nearburg Production Company, have you made an investigation of the ownership with regards to the parties that would participate and pay for the well to be drilled in this spacing unit?

A. Yes, sir, I have.

Q. To assist you in that effort, have you worked in association with Mr. Bill Owen of David Petroleum Corporation in that aspect?

A. Yes, sir, I have.

Q. Explain to the Examiner what is the relationship

between those two companies by which the Nearburg Exploration Corporation is the Applicant in this case.

A. Nearburg Production Company is the operator in an area with David Petroleum and others under the terms of an operating agreement originally entered into in 1985. Nearburg as the operator is the proponent of the proposed location and will be the operator of the proposed location. David Petroleum is -- has been the primary technical, geological and geophysical partner in this arrangement, and they will be testifying as to those aspects.

Q. Under this arrangement of an operating agreement, David Petroleum as a working interest owner has the right to propose the drilling of a well?

A. Yes, sir, that's correct.

Q. Is that what has occurred in this spacing unit?

A. Yes, sir.

Q. And with regards to their request that Nearburg has joined with them in order to accomplish the formation of the spacing unit and the drilling of the well?

A. Yes, sir, that's correct.

Q. Let's go through some of the land information, then, if you'll identify for us what's described as Exhibit 1.

A. Exhibit 1 is a locator map indicating the proposed unit, being the north half of the northwest

quarter of Section 7, 17 South, 38 East, along with a depiction of the location of the hole to be re-entered and the diagonal to the bottomhole location.

Q. If the well is successful and the spacing unit is dedicated to that production, it will be the north half of the northwest quarter or it's an equivalent?

A. Yes, sir, and this -- In fact, the north half of the -- or the northwest quarter in this section has an uneven lot, and I believe the total acreage is actually 77.75 acres.

Q. All right. So what we're looking at is what would be otherwise the equivalent of the north half of the northwest of the standard sized spacing unit?

A. That's correct.

Q. But there's an odd dimension because there's some lots across the top that change it from being a standard 80 acres?

A. Yes, actually the lots are along the west side.

Q. On the west boundary?

A. Yes, sir.

Q. All right. I made reference to the issue of an expiring lease. Will you describe for us what portion of the spacing unit is subject to the newest -- or the earliest expiration date of the lease, expiration?

A. Yes, sir. Nearburg and its partners, including

David Petroleum, are the owner of a federal oil and gas lease which expires -- which covers Lot Number 1, being the -- which could be described as the northwest of the northwest quarter, which expires on November 1, 1995.

Q. When did you and Mr. Owen and others first initiate an effort to consolidate on a voluntary basis the necessary interest to form a spacing unit?

A. The lease acquisition efforts have been going on since approximately June of this year. The authority for expenditures to the outstanding interest owners were sent along with operating agreements on August 15, 1995.

Q. The lease consolidation was in June of 1995?

A. Begun in June of 1995.

Q. All right. Apart for arranging the ability to access the surface for additional seismic work, in your opinion, could you have otherwise timely commenced the drilling of this well before the expiration of the November 1st lease?

A. I'm sorry, repeat the question?

Q. Yes, sir. If you have started on the land acquisition work in June of 1995 and your soonest expiration date of a lease is November 1st of 1995, would that have been an ordinarily sufficient period of time in which to have consolidated the acreage and got your permits to drill the well, with the exception of the seismic work?

A. It probably would have.

Q. All right. What difficulties did you and Mr. Owen encounter with regards to having the ability to utilize the surface in this vicinity, to conduct additional 3-D seismic exploration?

A. In our efforts to conduct, we began the lease acquisitions in late spring, early June of this year. The seismic program which we are -- which we have actually laid out on the ground -- was begun in July of this year. We were unable to permit a significant portion of the acreage due to third-party oil companies who would not grant us permits.

Q. You needed the consent of people that had control of the surface adjoining the spacing unit, in order to have a sufficient enough area in which to conduct appropriate 3-D seismic work?

A. Yes, sir. In fact, control of the leasehold interest.

Q. When were you able to finally obtain the necessary approvals in which to actually do the 3-D work?

A. Approximately three weeks ago.

Q. Would that have still been a sufficient period of time in which to have done the 3-D work and to actually determine the verification of the bottomhole location that your company wants to target?

A. The technical geophysical testimony could be more clear on this, but the availability of crews once we received our permits, the simple physical efforts of getting the lines and phones laid out, and then nine to -- or seven to eleven inches of rain in eastern Lea County in the last week has put us behind.

Q. All right. That work was contracted for, and with regards to the land activity, all that stuff was in place in time that it could have been accomplished, with the exception of the weather conditions and whatever technical delays were caused by that event?

A. Well, yes, sir, and the permitting was definitely a problem in getting --

Q. All right.

A. -- in the timing.

Q. All right. Let's talk about the configuration of the ownership within the spacing unit. If you'll look at Exhibit Number 2, identify and describe for us what's shown on that display.

A. Exhibit Number 2 is an illustration depicting the proposed spacing unit, being Lot 1 in the northeast of the northwest quarter of Section 7.

On the left-hand side of the exhibit is a list of the working interest owners and/or the outstanding mineral interest owners who we have not been able to contact. That

is Christine Riley with the .28-of-one-percent interest. All other owners are committed to participate.

The location of the Stillings well, the re-entry hole, is depicted as a dryhole. The location of the proposed bottomhole is depicted as a circle in the upper right-hand corner. And the potential window, pending determination of the ideal location for ultimately drilling this hole, is depicted as the black square.

Q. At this point, the only party which you're seeking to have a pooling order issued against is the Christine Riley interest?

A. Yes, sir.

Q. Summarize for us your efforts and those of Mr. Owen to contact Ms. Riley and then approach her on participation.

A. The -- David Petroleum and Nearburg as partners with them had -- at one time had Christine Riley under lease, several years ago. It was a five-year lease. The lease expired and the attempts, the recent attempts to contact her and find her to purchase a new lease or renew the old lease have been unsuccessful. Certified letters were sent to her last known address and were returned as undeliverable.

Q. Do you have an example of how this well was proposed in terms of its location and AFE and a written

communication providing an opportunity to the working interest owners to participate?

A. Yes, sir, Exhibit Number 3 is a parcel of several documents, including the authority for expenditure, estimating the cost of the well; the operating agreement, which we propose that the working interest owners/participants enter into; copies of the returned green cards from the Post Office or copies of the unreturned or undeliverable registered mail green cards; and the letter sent proposing the well.

Q. Attached to that letter, did you include an authority for expenditure?

A. Yes, sir, we did.

Q. And was that prepared, to the best of your knowledge, by employees of Nearburg Production Company?

A. Yes, sir, it was.

Q. And that was included in your package and circulated to the interest owners?

A. Yes.

Q. Have you received any objection from any of the working interest owners with regards to the AFE?

A. No, we haven't.

Q. Do you propose the Examiner use that as an estimate by which to pool Ms. Riley's interest?

A. Yes.

Q. In addition, have you attached a copy of the joint operating agreement?

A. Yes.

Q. That's also part of Exhibit 3?

A. Yes.

Q. Under the terms and conditions of that operating agreement, what is the overhead rate for drilling and producing wells that all the parties except Ms. Riley have committed themselves to?

A. $7000 for a drilling well and $700 for operational overhead.

Q. Let's turn to the topic of the unorthodox bottomhole location.

A. Yes.

Q. Have you and Mr. Owen tabulated a list of all offset operators, lessees or, if there is no lease, the unleased mineral owners --

A. Yes.

Q. -- that are adjoining this spacing unit?

A. Yes, we have.

Q. And how is that shown?

A. That's Exhibit 4 in the documentation.

Q. To the best of your knowledge, Mr. Gray, is this list complete and accurate?

A. Yes, sir.

Q. And did you cause notification to be sent pursuant to this notice list?

A. Yes, sir.

Q. Do you know whether or not Nearburg Production Company has the ability to have a rig on location so that you can timely commence the drilling of this well prior to the November 1st lease expiration date?

A. We anticipate with the proper approvals, we'll be able to do that.

MR. KELLAHIN: That concludes my examination of Mr. Gray.

We move the introduction of his Exhibits 1 through 4.

EXAMINER CATANACH: Exhibits 1 through 4 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Gray, who drilled the Stillings 7D Number 1?

A. Nearburg.

Q. And that is currently plugged and abandoned?

A. Yes, sir.

Q. The efforts to locate Ms. Riley, did that just include a -- sending a letter to her last known address?

A. No, sir, David Petroleum, who did much of the land work in this effort again had had a lease with Mrs.

Riley and made the efforts to -- really -- Her last known address is about as good as we could go on, other than trying to find old -- or change of address from the old address, telephone numbers, that sort of thing.

Q. I've got a certified mail receipt shown that was delivered to George Nickle.

A. Yes, sir.

Q. Who is that party?

A. George Nickle is another mineral interest owner in the unit, and I'm not sure what interest he owns, but David -- We have acquired an oil and gas lease from Mr. Nickle at this point.

Q. So he was locatable but Christine Riley was not?

A. That's correct.

Q. But you're not exactly sure what other steps were taken to find Christine Riley besides --

A. No, sir, I'm not entirely sure of the steps, although according to the David Petroleum people, they used all reasonable efforts to find her.

Q. Now, this -- In your correspondence to the various working interest owners, dated August 15th, was that the first time that the well was proposed to the working interest owners?

A. To my knowledge, yes, sir.

Q. Do you know when a compulsory pooling application

was filed in this case?

A. No, sir, I don't know the answer to that.

Q. But you've got all -- Everybody's signed up for the Riley interest?

A. Except for Christine Riley, yes, sir.

Q. All right. The well costs that you've got on your AFE, those are simply re-entry costs; is that correct?

A. No, not -- You're talking about which --

Q. The AFE you've got as part of Exhibit Number 3, I believe.

A. You're speaking of the --

Q. AFE --

A. The cost of casing point or --

MR. KELLAHIN: Mr. Examiner, Scott Kimbrough is a witness. He's the drilling engineer that prepared the AFE, and he's got all that information for you. I'll represent to you that his testimony will be, this is simply cost exclusive of the value of the existing wellbore.

EXAMINER CATANACH: Okay, so he'll testify on this?

MR. KELLAHIN: Yes, sir.

Q. (By Examiner Catanach) Okay. The overhead rates, did you say that those were included in the current operating agreement?

A. Yes.

Q. And agreed to by the various interest owners?

A. By everyone except the one person we were unable to contact.

Q. Is that what you're proposing to be assessed against Christine riley?

A. Yes, sir.

EXAMINER CATANACH: I think that's all I have of this witness, Mr. Kellahin.

MR. KELLAHIN: Okay. Mr. Examiner, at this time I'll call Edsel Neff. Mr. Neff is a geologist with David Petroleum Corporation, and we're going to talk about some of the geologic challenges that he's been faced with. And to aid you in seeing his presentation, I'd ask you to unfold that cross-section. It's marked as Exhibit 5.

EDSEL NEFF,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Neff, for the record would you please state your name and occupation?

A. My name is Edsel Neff. I'm a petroleum geologist with David Petroleum.

Q. Mr. Neff, on prior occasions have you testified before the Division and qualified as an expert in the field

of petroleum geology?

A. Yes, I have.

Q. As part of your employment as a geologist with your company, have you made a geologic investigation of the opportunity to obtain Strawn oil production out of the spacing unit to be dedicated to this well?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Neff as an expert geologist.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Let's take a moment before we look at the display, Mr. Neff, and summarize for the Examiner the unusual exploration strategy that you're undertaking to re-examine and try to locate these very small Strawn algal mounds in this part of the country.

A. Okay. We've been in this area for quite a long time -- I guess probably 15 years -- and through the years we've basically tried to interpret and drill these real small algal mounds with 2-D seismic data, and it's been relatively successful.

Recently, in 1994, we shot our first 3-D in this area, and we ended up finding two excellent Strawn producers, one 800 foot from a dryhole, that -- So we found two wells off this 3-D.

One of the wells which is on this cross-section,

which is the well A-1, we drilled in March. This was with Nearburg. We drilled it in March of 1995. With our conventional 2-D data, we saw the anomaly -- we saw an anomaly in the southwest of Section 12, except it was about 800 feet -- approximately 800 feet to the west. So what we were doing basically was sideswiping it with 2-D. And the 3-D which we shot in 1994 basically pinpointed the top, the apex of the anomaly and probably caused us from drilling another dryhole.

Q. Let's talk for a moment about the difference in sophistication between the use of the conventional 2-D seismic application and what advantage you achieve by reviewing that work with the assistance of supplemental 3-D seismic data, starting off with the 2-D seismic work, which was the data that the Byers well was first drilled with --

A. Uh-huh.

Q. -- and how that seismic work then is reanalyzed with 3-D information, to give you a way to validate where to put the well.

A. Okay. Basically, the 2-D data, like I say, we're getting leads off the 2-D data. There's a lot of sideswiping that's going on, so -- you know, if you're on the edge of some of these mounds. So it's hard to pinpoint exactly where these algal mounds are. They're small, some of them are small. We've got a couple of one-well

anomalies in here.

And the 3-D is basically that extra dimension, the extra 3-D is basically -- I mean, it's pinpointing the apex of these anomalies, whereas like this cross-section is illustrating, from A-1 to A-2, there's 800 feet difference between this dryhole and this producer. And if we would have drilled it on our conventional 2-D data where we saw the anomaly, we probably would have drilled another dryhole. The 3-D basically moved the location 800 feet.

Q. When we look at the results of the Byers success, did you and others involved in the technical aspect then try to find other likely candidates where you might reprocess the 2-D seismic information, supplement it with 3-D work, and find algal mounds that you might have missed? Is that the strategy?

A. Right, that's the strategy.

Q. When we go over to the spacing unit for the Stillings well, the north half of the northwest of 7 --

A. Okay.

Q. -- the Stillings well is shown on your cross-section, is it not?

A. Yes, sir.

Q. And what position is it on the cross-section?

A. A-4 is the Stillings well.

Q. All right. Did you and others identify the

opportunity in this spacing unit to re-examine why the Stillings well missed the algal mound and how you might have another chance to locate that algal mound and then drill it in an attempt to recover Strawn oil production?

A. It appears through all the work I've been doing in the area that -- If you'll look at the log, the gamma ray on the left-hand side is cleaning up toward the top of the Strawn at around 11,632 -- really from 11,700 up to the top of the Strawn -- and -- not much but slightly. But it's -- I think it's a good indication that you're close to something.

A lot of the wells that are dryholes and that are low-energy shelf mudstones -- and this is a cleaning up near the top of the log. If you'll refer to well A-2, you can see that the Byers, which is the well that was 800 feet from our -- from well A-1, the one we drilled this year, is starting to clean up in the top of the Strawn gamma-raywise, and that's -- appears to be a -- something we're starting to look for. There's a good chance it could be close to an algal mound.

Q. Describe for us, then, the conclusions from the cross-section and how that is relevant to your efforts on the Stillings spacing unit.

A. This cross-section is referenced -- I've got a land map here which you'll see. A-1 is a well we just

drilled with Nearburg, and it continues through A-5, which is the bottomhole location of our proposed location.

Well A-1 is our producer, as I said earlier. It's 800 feet from a -- the Texas Number 1 Byers that was drilled in 1973. So in this cross-section I'm basically trying to show that these mound facies are -- these mounds are small, they're hard to hit, you've got to be extremely precise in trying to pick these things out, and that's why 3-D has the advantage over 2-D.

Also, as I mentioned earlier, the Stillings -- the top of the Strawn in the Stillings is cleaning up on the gamma ray, and it's been my experience that there's a good chance that it may be indicating it's close to an algal mound. And we saw thickening to the east on our seismic data, which Mike McMillan will talk about, but -- So...

Q. Can you take conventional exploration geology, using log data in this area, and exclusively use that to give you your best location for trying to find one of these algal mounds?

A. No.

Q. What else do you have to do?

A. You've got to shoot them out with 3-D.

MR. KELLAHIN: That concludes my examination of Mr. Neff.

We move the introduction of his Exhibit Number 5.

EXAMINER CATANACH: Exhibit Number 5 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Neff, as I understand it, you used 2-D to -- It identifies the structure?

A. Right, you can pick -- 2-D data is great, except -- The difference between 2-D and 3-D is basically, you're -- on 3-D you're having a shot point every 120 feet, basically, and on 3-D you're not [*sic*]. And you might have a line -- you'll have a -- let's say a north-south line. You have a 1000-foot interval on a shot point, whereas on 3-D you have a shot point, a value, every 120 feet. And basically you're -- It's just denser coverage, is what it really boils down to. And we would eliminate a lot of these dryholes if we would have shot 3-D earlier in the Eighties when we did this, but we didn't.

Q. So the proposed bottomhole location you have targeted right now is based on 2-D?

A. Right.

Q. It's a good chance that will change?

A. Yes, sir, there's a good chance it could. Like I said previously, this location moved 800 feet, apex to apex. That's just the difference between 2-D and 3-D. So

there's a chance it could.

EXAMINER CATANACH: Okay, I have nothing further.

MR. KELLAHIN: Mr. Examiner, I'll call at this time Mike McMillan. Mr. McMillan is a geophysicist and he is sponsoring Exhibit Number 6.

MICHAEL McMILLAN,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, Mr. McMillan, would you please state your name and occupation?

A. My name is Michael McMillan, and I am a geophysicist for LDM Associates.

Q. And where do you reside, sir?

A. In Roswell, New Mexico.

Q. On prior occasions have you testified in that capacity before the Division?

A. No.

Q. Summarize where you obtained your degree and what year.

A. I received my BS in geology in 1988 from UNM, and in 1991 I received my master's in geology from Texas Tech University.

Q. When we look at Exhibit Number 6, does this

represent your geophysical work in this area? Exhibit 6 is the seismic isopach. Is this your work?

A. Yes.

Q. As part of your duties for your company, do you regularly perform this type of analysis?

A. Yes.

Q. And did you work in association with Mr. Neff to analyze and determine what to do in terms of geologic exploration for a well to be drilled in the Stillings spacing unit?

A. Yes.

MR. KELLAHIN: We tender Mr. McMillan as an expert in geophysics.

EXAMINER CATANACH: Mr. McMillan is so qualified.

I would just like to ask him, what is LDM's association in this case? Or what is your relationship to the Applicant?

THE WITNESS: LDM is just a name that my father, Colin McMillan, and his partner Eddie David use as kind of a trade name, when they sell oil and gas deals to the oil and gas industry.

EXAMINER CATANACH: Okay. So you both have an interest in this prospect?

THE WITNESS: Yes.

EXAMINER CATANACH: That's the 21.5-percent

interest, McMillan Production Company?

THE WITNESS: Yes.

EXAMINER CATANACH: Okay.

MR. KELLAHIN: He's just pulling it off of this Exhibit 2, he's looking at those percentages.

THE WITNESS: Okay.

EXAMINER CATANACH: All right. That's all I have. He is so qualified.

Q. (By Mr. Kellahin) Mr. McMillan, let's turn to Exhibit 6 and have you identify what we're looking at.

A. What we are looking at is an isopach map from the top of the Strawn to the Atoka.

Q. The scale on the map is what, sir?

A. One inch is equal to a thousand feet.

Q. And if we took a ruler, is this display accurate to scale?

A. Yes.

Q. When I look on the display and see the area that's identified by the red outline, what is that trying to represent?

A. That would be the proration unit.

Q. Okay. Show us on the display how we would find the surface location of the existing Stillings well.

A. The existing Stillings well is denoted by the dryhole. And also you can see from the arrows, let's say

the surface location.

Q. As part of your work, do I correctly understand that you have looked at conventional 2-D seismic lines?

A. Yes.

Q. And how are those lines identified on this display?

A. Going from left to right there are three lines that I have looked at. They're WK-7, WK-3 and WK-4.

Q. All right. Let's take a moment and use as an example the WK-4 line, which is the line that runs east to west. Within -- On that line there are shot points, and how are the shot points identified?

A. The shot points are denoted by -- by the values in feet. For instance, if you look, you'll see one that says 219 feet, which is --

Q. All right. They would be the open circles on the line?

A. Yes.

Q. And adjacent to those shot points which were relevant to you, you have put a footage value?

A. Yes.

Q. All right. When we look at the WK-4 line, as we move from east to west, the first value I find on the map is 219 feet. Do you see that?

A. Yes.

Q. Describe for us how you determined, you know, where that number comes from.

A. Well, the first thing I did was that I discussed the geology of the area with our geologist, Edsel Neff. And then from that, I looked at the seismic data. And from that I developed an isopach map from the Strawn to the Atoka.

Q. When I'm looking at shot point line WK-F [*sic*] and I've got the value of 219 feet, and then I go to the next shot point to the west it's got a value of 268?

A. Yes.

Q. How far apart are those two shot points?

A. Those are approximately 1100 feet.

Q. When you're analyzing the seismic data, do you have available data that displays the information between those two shot points? Let me ask you again.

A. Can you please rephrase the question?

Q. Sure. When I'm looking at conventional logs --

A. Yes.

Q. -- I've got two points in the reservoir, and I only can infer what happens between them. In a seismic line run, don't I have information between those two points?

A. Yes, you do.

Q. And what kind of information are you seeing?

A. What I'm seeing between, let's say, the 219 value and the 268 value is an increase in the thickness from the Strawn to the Atoka.

Q. Using the disciplines of your science and with your experience, you can actually quantify a thickness between those two shot points, can you not?

A. Yes, you can.

Q. Is that part of the interpretation that causes you to place the thickest part of this algal mound in the eastern portion of the spacing unit?

A. Yes.

Q. All right. Describe for us now -- You've used these other lines and in the same method have determined a thickness of the Strawn?

A. Yes.

Q. And then with those values, you simply contour them together and honor the data points; is that not true?

A. Yes, that's what I have done.

Q. All right. Give us an understanding of how you determined the thickness of the algal mound. What kind of shape do you visualize, having looked at this information?

A. Well -- Could you kind of rephrase --

Q. Yeah, when you --

A. -- the question you asked?

Q. You have defined a shape.

A. Yes, I have.

Q. Is that shape consistent with how you see other Strawn algal mounds in this area?

A. Yes.

Q. And what kind of shape do they take at the top of that structure?

A. They form kind of -- essentially what we consider a kind of a dome at the very top.

Q. So when we look at the shot point values that have a thickness ranging from 318 down to 219, is it appropriate, then, to contour them so that they do have a dome between those points?

A. Yes, it is.

Q. Do you see any reasonable -- In your opinion, is this the optimum interpretation with regards to how to interpret the data?

A. Yes, it is.

Q. And have you honored all the data points?

A. Yes, I have.

Q. What does it tell you about the best place to attempt to re-enter the Stillings well and bottom it in this algal mound?

A. From this, one could discern that the optimum -- the optimum, I should say, bottomhole location is where the Strawn to the Atoka interval is the thickest.

Q. And as projected at this point, it is going to be at an unorthodox location over towards the northeast corner of the spacing unit?

A. Yes.

Q. Describe for me, Mr. McMillan, what you hope to accomplish in terms of verifying the accuracy of this interpretation when you have available to you the 3-D seismic data.

A. With the 3-D data we hope to help us better locate so we can have the best well possible. And I guess the best analogy is what our geologist described earlier in relation to the Byers wells.

Q. Summarize for us as a geophysicist what you see to have occurred in the Byers well situation that you're trying to duplicate over in the Stillings situation.

A. Well, the -- In the Byers wells, as our geologist has stated earlier, we believed our optimum location would have been to the west. And because of the sideswipe, we were incorrect. We went in there and in 1994 shot the 3-D, and we moved our location to the east, which turned out to be the optimum location for that well.

And we believe that -- Based on that analogy, we believe, and since it's so close, that this is a good -- since that analogy worked in the Byers location, it should work in the Stillings location.

MR. KELLAHIN: That concludes my examination of Mr. McMillan.

We move the introduction of his Exhibit Number 6.

EXAMINER CATANACH: Exhibit Number 6 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. McMillan, the 2-D shot points you have, like say the 219 and the 268, what does that number represent exactly?

A. It would represent the thickness from the top of the Strawn to the Atoka interval.

MR. KELLAHIN: It may help you visualize, Mr. Examiner, if you'll pull Mr. Neff's cross-section.

EXAMINER CATANACH: Got it.

MR. KELLAHIN: And he has marked what Mr. McMillan has isopached. There's an arrow on that display.

Q. (By Examiner Catanach) Okay. So that just includes the entire Strawn interval?

A. Yes, it does.

Q. Okay. The 2-D has identified the structure in this 40-acre quarter section. What is the 3-D seismic going to tell you? Is it just going to enable you to kind of fine-tune the location?

A. Yes, it will help us optimize where the best spot

to drill it is.

Q. Is it going to give you information that may change the thickness?

A. Yes, that's possible.

Q. So it could -- could update the thickness of the reservoir that you've got?

A. Yes, it could.

Q. But mostly, it would tell you -- better tell you where that thickest portion is?

A. Yes, that's...

Q. Again, that's likely to change the bottomhole location to some extent?

A. Yes.

EXAMINER CATANACH: Okay, I think that's all I have, Mr. Kellahin.

MR. KELLAHIN: All right, sir. Thank you, Mr. Examiner.

Call at this time Scott Kimbrough. Mr. Kimbrough is a drilling engineer with Nearburg Production Company.

E. SCOTT KIMBROUGH,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. For the record, sir, would you please state your

name and occupation?

A. My name is Scott Kimbrough. I'm a petroleum engineer for Nearburg Producing.

Q. Mr. Kimbrough, on prior occasions have you testified before the Division as a petroleum engineer?

A. No, I have not.

Q. Summarize for us your education.

A. I have a business degree and also an engineering degree in 1977 from Texas A&M.

Q. And where do you reside?

A. In Hobbs, New Mexico.

Q. You're going to have to speak up, Scott. There's a fan over my head and it's hard to hear you.

As part of your regular duties for Nearburg, do you help them plan and design well programs and drilling plans?

A. Yes, that's correct.

Q. And do you also analyze, prepare and review costs for conducting those activities?

A. Yes.

Q. And are those within your discipline as a petroleum engineer?

A. Yes.

Q. And have you performed those duties in this case?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Kimbrough as an expert petroleum engineer.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Let's turn to the concept first, and then we'll talk about your initial plan for the well.

As part of your study, have you made a conclusion with regards to the economic feasibility of re-entering the Stillings well and using that wellbore as access, then, to a position in the reservoir?

A. Yes.

Q. And what conclusion do you have?

A. That it would be very economic to do that.

Q. Do you find any mechanical-integrity issues with regards to the Stillings well?

A. No, I do not.

Q. What's the vintage of that wellbore?

A. 1989.

Q. It has adequate casing, cementing and the rest of the components that are important to you to make it useful as a re-entry?

A. Yes.

Q. As part of your duties, do you work with contractors and others to design a plan by which you could re-enter this well and get to a position in the reservoir

that the geologist wants you to be?

A. Yes, I do.

Q. Is the range of displacement for a directional well for this particular project an unusual one?

A. No, it's not.

Q. In fact, this is rather ordinary and routine when it comes to directional drilling, is it not?

A. Yes, it is.

Q. Let's take Exhibit Number 7. The initial plan, as given to you, is to take the Stillings well and at a certain total depth to be at a certain location off the north and east sides of the spacing unit. What dimensions were you given in order to design a potential directional plan for the well?

A. I was given a bottomhole location -- first of all, the surface location, which I already -- I had from the original Stillings well, and then a bottomhole location of 330 and -- or, excuse me, 773 and 2310.

Q. All right, 773 from the --

A. -- from the north line, and 2310 from the west line.

Q. All right, let me start over so we don't make a mistake. The surface location for the Stillings well as it exists now is 660 from the north?

A. Yes, right.

Q. And 773 from the west?

A. I'm sorry, it's 330 from the north line and 2310 from the west line.

Q. 330 from the north and 2310 from the west, at a certain depth, is going to be the subsurface location?

A. Yes.

Q. And what was the depth you were targeting?

A. 12,500 feet.

Q. All right, and you're starting --

A. True vertical depth.

Q. Yes, sir, the true vertical depth is 12,500?

A. Right.

Q. You're starting at the Stillings well, and where is that located in its spacing unit? It's 660 from the north and 773 from the west, is it not?

A. That's correct.

Q. All right. So you've got your two points. Show us Exhibit 7 and how you plot how to get there.

A. Exhibit 7, which is the directional plan, the first page of it is the horizontal plan view. It says "Departure" on it. And I just, of course, draw a line from the one well to the other, and that turns out to be 1572 feet north 77.88 degrees east.

Q. Is the plot on this scale true to scale?

A. Yes, it is.

Q. So I can take a ruler, a one-inch ruler, and find 500 feet?

A. Yes.

Q. And have you scaled out for the Examiner's benefit what would be the north end of the spacing unit as well as the western boundary of the spacing unit?

A. Yes.

Q. And that's the black line below the exhibit label sticker, is it not? That would be the north boundary line?

A. Yes. I don't have that label -- I don't have a label on it.

Q. All right.

A. Yes, that's correct.

Q. That line is below the caption line?

A. Yeah.

Q. So there's no confusion as to what line you're looking at?

A. Right.

Q. All right. Once you have a horizontal position, turn to page 2 and let's talk about the vertical profile. What are you going to do?

A. We are planning to reconnect the surface casing and -- or the intermediate casing at the surface and go in the hole and clean it all -- clean out the existing cement plugs down to probably 7000 feet, and then lay a cement

plug in there, dress it off, and kick off a directional well at approximately 6500 feet.

Q. Why have you picked approximately 6500 feet as a kickoff point?

A. Several reasons, one of which is -- the main reason is, we do not want a large angle in the well.

Q. And using that kickoff point, then, you can minimize the degree of angle you have to build in order to establish a point at which then you can go in a straight line to the bottomhole target?

A. Right, that's correct.

Q. All right. And what is your degree of angle of build per hundred feet as you go through that angle?

A. It's two and a quarter degrees per hundred.

Q. Very conservative?

A. Right, it needs to be that much to hold the angle, but it doesn't need to be more.

Q. All right. And then you would continue to the bottomhole target?

A. Yes.

Q. Describe for us what you're seeking to do. At a certain point in the reservoir, then, you want to have the flexibility of a certain radius distance for a bottomhole target?

A. Yes.

Q. And we have picked approximately 100 feet as the bottomhole radius target?

A. Right.

Q. What is the advantage of using a target of that size for wells at this depth?

A. Smaller targets will -- can potentially cost you considerably more money. And the reason for that is, as you -- especially at the depths that we're talking about here, when you get to these depths a lot of times you may have to make correction runs, and those take considerable time to make and considerable money, and we're talking in the $10,000 to $30,000 range.

Q. Okay. If the subsequent 3-D seismic work requires the optimum location to be adjusted other than you have planned at this point, is it difficult to make the adjustments?

A. No, no, it is not. This is a conceptual thing here, and we can -- we can make the adjustment either by angle or by kickoff point.

Q. The concept is still the same: You would simply adjust the angle and the length of that run and hit the bottomhole target as the geologist proposed?

A. That's correct.

Q. All right. After you drill the well, is there any unusual way by which the well is cased, cemented or

completed?

A. No, there is not.

Q. It would look just like a vertical well in terms of its casing program and cementing program?

A. That's correct.

Q. Okay. Let's turn now to the cost issue. If you'll look at what is marked as Exhibit Number 8, what is shown on this display?

A. What you have here is a comparison of two AFEs. If you look on the first page, you'll see "Re-entry", "New Drill", and it says "BCP" -- that's before casing point -- and then "Re-entry", "New Drill", "ACP" -- that's after casing point -- and then you have totals, and then a difference.

The second page -- the first page --

Q. Well, before you leave it, now, the difference total -- if the difference value in terms of dollars is in parentheses, that is a value reflective of a new drill?

A. That is the value of the savings of drilling -- of re-entering the Stillings, versus a new drill.

Q. All right. And if it's without a parentheses, that is a cost in excess of what the new drill would have? Did I say that right?

A. In excess of what the re-entry --

Q. All right.

A. -- would be, if you drilled the new drill.

Q. When we read down to the second page --

A. The first page is intangibles, the second page is tangible costs.

Q. All right, let's look at the bottom of the first page, then, and have you look at the total and show us what the net difference is.

A. Okay, the net difference on the first page is $32,890.

Q. In which direction? That's an advantage for the re-entry, right?

A. That's correct. That's an intangibles.

Q. Okay. And then on the second page are the tangibles, and what's the bottom line?

A. The bottom line there is a combination of the tangibles and intangibles, which is $111,000, plus or minus, dollars.

Q. And two lines above that is the total on the tangibles, and it shows an advantage for the re-entry of $78,500?

A. Right, and that basically is the surface casing and intermediate casing.

Q. Total savings using the re-entry plan as opposed to a new drill is $111,000?

A. Right, plus or minus $100,000.

MR. KELLAHIN: That concludes my examination of Mr. Kimbrough.

We move the introduction of his Exhibits 7 and 8.

EXAMINER CATANACH: Exhibits 7 and 8 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Your total well costs are $819,980; is that correct?

A. Yes, sir, that's correct.

Q. Right off the bat on page 1, you've got a $200,000 savings on drilling footage.

A. That's really -- The second line there, the drilling daywork cost, footage, would be if we -- If we drilled a new well, we would footage the new well. If we re-entered the well and sidetracked it, we would have to do that on day work. So those compensate. They -- You know, they offset each other somewhat.

You'll see too that -- Mr. Examiner, under rig mobilization and demobilization, which is the fourth line down, there's $23,000 plus the $119,000 under the daywork, and those two added together offset the drilling footage number.

Q. You're going to have to -- Was the intermediate casing pulled in that well?

A. No, sir, it's -- Cement is circulated to surface.

Q. So you're just going to have to set production casing?

A. Yes, sir, that's correct.

Q. There doesn't appear to be as much savings as I thought it might be, but you -- These are your best estimates?

A. Yes, sir.

Q. Okay.

A. We could say more. I don't always like to put the low, low numbers on these, as you probably know.

Q. So it may not actually come up to $819,000?

A. Yes, it could be somewhat less than that, if everything was to go exactly right. But I have to do a middle-of-the-road AFE.

Q. Okay. Is this going to change -- How is this going to change relative to changing the well location? If your bottomhole location changes, is your AFE going to change considerably?

A. No, not considerably. Most of the money -- I only have about $50,000 in here for directional cost, and those numbers, whether you kick the thing to 10 degrees or to 20 degrees, it's going to take you about the same period of time. So it will not affect it appreciably.

Q. If you don't drill as far as you've got proposed

right now, it would affect it somewhat, wouldn't it?

A. Yes.

EXAMINER CATANACH: I believe that's all I have, Mr. Kellahin.

MR. KELLAHIN: Mr. Examiner, my last exhibit is Exhibit 9. It's the certificate of mailing to the parties to be pooled and to the offset operators and interest owners.

I need to hold it until after the hearing, because I think there's a couple of pages missing. All the green cards have been copied, but there are a couple of these mailed notices that were sent, and I need to make copies of those.

So if I may submit that following the hearing, I would appreciate it.

EXAMINER CATANACH: Okay.

MR. KELLAHIN: That concludes the evidence presentation.

My request at this point is to continue and to readvertise the case in order to create the opportunity for Nearburg and its partners to have the operational flexibility to adjust the bottomhole of the well.

And what we're proposing is to take Exhibit Number 2 as an illustration so that you can visualize our target.

My requested solution for the issue is to seek approval by readvertising so that Nearburg would be authorized to access the reservoir at any point within the spacing unit, so long as they remain confined to the drilling producing window that you see on Exhibit Number 2, which basically on the north boundary is a 330 setback, on the east boundary is a 330 setback, on the south 330, and then on the -- on the west boundary it is a line that is 330 east of the surface location for the Stillings well. All those dimensions have been displayed for you on the exhibit.

We would undertake to renotify the offsets, to make sure that there is no objection to the adjustment of the location.

We would propose to file with you at the time the operator commences the well a bottomhole target within a 100-foot radius, which may be adjusted because of 3-D seismic work, and that would specifically identify for the Division, then, the bottomhole location of the well, and we would undertake to obtain and submit the directional surveys normally required under Rule 111.

EXAMINER CATANACH: All right. As I understand it, you would have to -- we would have to readvertise for the October 19th --

MR. KELLAHIN: Yes, sir.

EXAMINER CATANACH: -- hearing --

MR. KELLAHIN: Yes, sir.

EXAMINER CATANACH: -- which would give you time to renotify offset operators?

MR. KELLAHIN: Yes, sir, it would.

EXAMINER CATANACH: The notice you would provide to offset operators would be that the bottomhole location would be in the window you just described to me?

MR. KELLAHIN: Yes, sir. And if there's objection, then they could come to hearing on the 19th of October and we could discuss it.

EXAMINER CATANACH: Mr. Kellahin, do you know when the 3-D seismic will be available and interpreted and when the next location will be picked, or when the location will be determined, the final location?

MR. KELLAHIN: It is our great hope and expectation that that would be done prior to the October 19th hearing date. And so it may be possible at the actual hearing to provide you a more precise bottomhole location.

But in order to meet the notice requirements for that docket, I have to make a decision by this Monday, and the only decision I can make is to ask for this drilling window that I'm looking at.

EXAMINER CATANACH: Okay, I'm agreeable to readvertising as you proposed.

What I would suggest, however, is that if the data is available at the October 19th hearing, I think we need at least a geophysicist to come in and testify as to the new location.

MR. KELLAHIN: We will be pleased to bring Mr. McMillan back, and/or other geologic experts to present that data.

EXAMINER CATANACH: Because if you essentially change your location, it's going to be based on data that I have not seen, and we need to see it.

MR. KELLAHIN: We're well aware of that, Mr. Examiner, and we will bring the experts to discuss that with you.

EXAMINER CATANACH: Okay. One other point. I'm not sure that I'm satisfied in my own mind about -- It may very well be adequate, but I'm not sure I'm satisfied with regards to the effort that was put forth in finding the Riley interest.

MR. KELLAHIN: If you would like to take a minute, I can call Mr. Owen, who's present now, and who actually was responsible for that effort, and he will describe in more detail what he did.

EXAMINER CATANACH: Maybe we ought to take care of that now.

MR. KELLAHIN: Let's do that now.

EXAMINER CATANACH: All right.

MR. KELLAHIN: Mr. Owen has not been sworn, Mr. Examiner.

BILL OWEN,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Owen, for the record would you please state your name and occupation?

A. Bill Owen. I'm land manager for David Petroleum and McMillan Production.

Q. On prior occasions have you testified as an expert petroleum landman?

A. Yes.

Q. Have you knowledge about your company's efforts or your own personal efforts to find Ms. Riley with regards to the commitment of her interest within this spacing unit for the re-entry of the Stillings well?

A. Yes.

MR. KELLAHIN: We tender Mr. Owen as an expert landman.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Kellahin) Summarize for us, Mr. Owen, what have historically been your efforts to locate Ms.

Riley, and then what subsequently happened where you could no longer find her, and then what efforts you undertook to try to relocate her.

A. As was previously stated, we leased from Ms. Riley back in the 1980s. She was not easy to find at that time. However, we located her in California. We bought an oil and gas lease from her. The lease expired, and several years have gone by since the expiration of that lease.

When we went to go back to lease to her again, initially we simply tried to contact her by phone. We found there was no phone listing. We thought possibly she did have an unlisted number.

We wrote one letter to her that came back. We have subsequently sent a second letter to her that also was returned. That was a certified letter.

Subsequent to that, we had another independent landman do some additional work. He directly contacted, at my request, several of Ms. Riley's ex-neighbors that lived in the same complex where she lived. They said that she has been gone for some time. I recall probably in excess of a year to two years. They had no idea where here whereabouts might be.

Q. You're dealing with her in an attempt to locate her at her last known address to you?

A. That's correct.

Q. And was this in Monterey, California?

A. Yes, it was.

Q. All right, please continue.

A. In addition to that, we've also had a service in California that runs checks on either -- whether it be a date of birth, a driver's license number, Social Security number. I believe what we had on her was Social Security number, and we have provided that information to them, and they have not been able to come up with any specific Rileys that we think would be the right person.

We continue, I would point out, to this day, and possibly -- I talked to one of our landmen, our contract landmen, that were working on trying to locate Ms. Riley just several days ago to see if he had any update information. He was still waiting to hear back from one of the other services. It's a private-investigative-type agency that helps locate people.

And at this particular time we have still not been able to locate her. But our efforts -- Regardless of the fact of the size of the interest, we prefer to have the entire block of acreage leased up, and so we have continued to this day, and will continue, to locate Ms. Riley.

MR. KELLAHIN: That concludes my examination of Mr. Owen.

EXAMINER CATANACH: I have nothing of the

witness. He may be excused.

MR. KELLAHIN: That concludes our presentation in this case.

EXAMINER CATANACH: Okay, Mr. Kellahin, you're going to file an amended Application for the October 19th hearing?

MR. KELLAHIN: Yes, Mr. Examiner, at your direction.

EXAMINER CATANACH: Okay. Is there a chance that this well may be spudded either prior to the October 19th or after the October 19th and before the entry of an order, to meet the November 1st drilling deadline?

MR. KELLAHIN: I don't know the answer to the question.

(Off the record)

MR. KELLAHIN: Mr. Examiner, the parties involved said they would commit not to spudding the well before the 19th. They very much want the 3-D seismic work. It will probably take very much the total period of time between now and then to make that decision.

Whether or not they will be compelled to spud the well between the 19th and prior to you issuing an order is beyond us to decide at this point.

EXAMINER CATANACH: Okay, but it will not be spudded before the 19th?

MR. KELLAHIN: That's right.

EXAMINER CATANACH: Okay. All right. Then that being -- Is that it?

MR. KELLAHIN: Yes, sir.

EXAMINER CATANACH: Okay. Well, I'll rely on you to file the amended Application for the October 19th hearing.

And with that, we'll go ahead and continue and readvertise this case, 11,389, for the October 19th hearing.

MR. KELLAHIN: All right. Thank you, Mr. Examiner.

EXAMINER CATANACH: Thank you.

(Thereupon, these proceedings were concluded at 2:17 p.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11389, heard by me on 9/21 1999.

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 September 30th, 1995.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE

MICHAEL H. FELDEWERT
TANNIS L. FOX
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

October 18, 1995

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Oil Conservation Division Case No. 11389:
Application of Nearburg Exploration Company for Compulsory Pooling, Directional Drilling, a Non-Standard Oil Proration Unit, and Possibly an Unorthodox Bottomhole Oil Well Location, Lea County, New Mexico

Dear Mr. LeMay:

Nearburg Exploration Company respectfully requests that the above-referenced hearing in this case which is currently set on the October 19, 1995 Examiner docket be dismissed.

Your attention to this request is appreciated.

Very truly yours,

WILLIAM F. CARR
WFC:mlh
cc: Mr. Bob Shelton
W. Thomas Kellahin, Esq.