

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

RECEIVED	
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OIL CONSERVATION DIVISION	
CASE NO. 11,578	

IN THE MATTER OF THE HEARING CALLED BY )  
 THE OIL CONSERVATION DIVISION FOR THE )  
 PURPOSE OF CONSIDERING: )  
 )  
 APPLICATION OF ENRON OIL AND GAS COMPANY )  
 FOR COMPULSORY POOLING, EDDY COUNTY, NEW )  
 MEXICO )  
 )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

July 25th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 25th, 1996, 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.

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 Examiner Hearing  
 CASE NO. 11,578

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

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Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.  
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P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:25 a.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4   11,578.

5           MR. CARROLL: Application of Enron Oil and Gas  
6   Company for compulsory pooling, Eddy County, New Mexico.

7           EXAMINER CATANACH: Are there appearances in this  
8   case?

9           MR. CARR: May it please the Examiner, my name is  
10   William F. Carr with the Santa Fe law firm Campbell, Carr,  
11   Berge and Sheridan. We represent Enron Oil and Gas Company  
12   in this case, and I have two witnesses.

13          EXAMINER CATANACH: Additional appearances?  
14          Will the two witnesses please stand to be sworn  
15   in?

16          (Thereupon, the witnesses were sworn.)

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

20                                 DIRECT EXAMINATION

21   BY MR. CARR:

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

23           A.    Patrick J. Tower.

24           Q.    Where do you reside?

25           A.    Midland, Texas.

1 Q. By whom are you employed?

2 A. Enron Oil and Gas Company.

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

5 A. I'm a project landman.

6 Q. Have you previously testified before this  
7 Division?

8 A. Yes, I have.

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

12 A. Yes, they were.

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

15 A. Yes, I am.

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

18 A. Yes, I am.

19 MR. CARR: Are Mr. Tower's qualifications  
20 acceptable?

21 EXAMINER CATANACH: Yes, they are.

22 Q. (By Mr. Carr) Could you briefly review for Mr.  
23 Catanach what Enron seeks with this Application?

24 A. Yes, Enron is seeking an order pooling all  
25 mineral interests from the surface to the base of the

1 Morrow formation underlying the south half of Section 32,  
2 Township 17 South, Range 30 East, in Eddy County, New  
3 Mexico, for all formations developed on 320-acre spacing  
4 and, as to the southwest quarter, for all formations  
5 developed for 160-acre spacing and, as to the south half of  
6 the southwest quarter, for all formations developed on 80-  
7 acre spacing.

8 Q. Does Enron have all interests in the 40-acre  
9 tract or no interest?

10 A. At this time Enron has no interest.

11 Q. To what well will these spacing units be  
12 dedicated?

13 A. The Sand Tank 32 State Com Number 1 well.

14 Q. And where is that well to be drilled?

15 A. To be drilled at a legal location or a standard  
16 location 660 feet from the south line and 1980 from the  
17 west line of said Section 32.

18 Q. Have you prepared exhibits for presentation here  
19 today, Mr. Tower?

20 A. Yes, I have.

21 Q. Let's go to what has been marked Enron Exhibit  
22 Number 1. Would you identify that and review it for Mr.  
23 Catanach?

24 A. Yes, Exhibit Number 1 is a land plat depicting  
25 the lands associated with this pooling order, this order

1 that we seek. Outlined in red is the south half of Section  
2 32, which is the 320-acre spacing unit, with the -- located  
3 with a pink dot is the standard location that we propose to  
4 drill.

5 Q. What are the primary and secondary objectives in  
6 this well?

7 A. Primary objective is the Morrow, as well as the  
8 Strawn, located in the Sand Tank-Strawn Pool and the Sand  
9 Tank-Morrow Gas Pool and also the Undesignated South Loco  
10 Hills-Morrow Gas Pool.

11 Secondary objectives would be any of the  
12 formations uphole, which our other technical witness will  
13 get into in a little more depth.

14 Q. Let's go to Enron Exhibit Number 2. What is  
15 this?

16 A. Exhibit Number 2 is a spreadsheet depicting the  
17 various owners that we're seeking to pool here. One thing  
18 you will note, there are columns for each of the spacing  
19 units, the parties involved that we're pooling.

20 One thing you will also note, there's a total on  
21 here for each of the spacing units. It depicts the parties  
22 that have not totally committed voluntarily at this time.  
23 The remaining parties -- for example, in 320-acre spacing  
24 approximately 38 percent is listed as the total of that  
25 particular column. The balance to the 100 percent has

1 committed to voluntary agreement to drilling of this well  
2 at this time.

3           The -- One thing also, we have numerous parties,  
4 for example, on the 320-acre spacing unit. The primary  
5 parties that we came in to pool were some unknown heirs  
6 that we have been trying to locate, those being the heirs  
7 of J.R. Cole and also the heirs of Albert Sidney Johnson,  
8 representing, oh, approximately one and a half percent of  
9 the spacing unit working interest. And we have since  
10 filing our Application, have run down some leads on the  
11 Coles. I think it was tracing them to -- I believe it's  
12 Honduras. And so we're still trying to find those people  
13 and get a voluntary commitment.

14           The remaining parties on this list under the  
15 southwest quarter, and also the south half, southwest  
16 quarter, are the same parties, it just -- which of those  
17 parties fall within those particular spacing units.

18           The balance of the parties outside the two  
19 unknown heirs that we're trying to locate have in some  
20 fashion indicated that they will voluntarily commit to  
21 participation or farmout or some voluntary agreement for  
22 this test. However, at the time of this hearing, we do not  
23 have the actual signed agreements in on these particular  
24 parties. So they have not come forth with actual  
25 signatures to commit it. However, there's been that

1 indication.

2 Q. Now, Mr. Tower, if you go on this exhibit to the  
3 portion that relates to the south half of the 320-acre  
4 unit, first of all, the parties listed own 38.5 percent of  
5 the working interest in this tract; is that right?

6 A. That is correct.

7 Q. Of those, the only people you were unable to  
8 locate are those two groups shown as the heirs of J.R. Cole  
9 and the heir of Albert S. (Sidney) Johnson; is that right?

10 A. That is correct.

11 Q. And you have contacted the others and they  
12 indicated a willingness to participate; is that right?

13 A. Or enter in some voluntary agreement, yes.

14 Q. And -- But as of this time, certainly, those  
15 interest owners have not returned paperwork to finalize  
16 agreements with Enron; is that right?

17 A. That is correct.

18 Q. At this time, to be sure all the loose ends are  
19 tied up, does Enron propose to renotify those who have not  
20 executed the paperwork and also attempt to notify the heirs  
21 of J.R. Cole?

22 A. Yes, that's correct. What our proposal for this  
23 matter, since we thought that all of these agreements would  
24 be in, and primarily we're focusing on the unknown heirs,  
25 we did not send out notice, so we thought it would be

1 proper to leave the record open for an additional four  
2 weeks. We will send out proper notice, and at such time as  
3 the actual voluntary commitments are signed, these parties  
4 will be dismissed, but leave the record open to cover these  
5 additional parties.

6 Q. You will provide an affidavit four weeks from now  
7 that will identify those parties to whom notice has been  
8 given and will also verify that all parties have been  
9 notified in accordance with OCD rule; is that right?

10 A. That is correct.

11 Q. So we'll be asking or requesting a continuance of  
12 four weeks on this case to cover the notice issue; is that  
13 right?

14 A. That is correct.

15 Q. When we -- Based on your conversations with these  
16 individuals, what percentage of the ownership in the south  
17 half will be voluntarily committed to this well? What do  
18 you anticipate you'll voluntarily have in?

19 A. Approximately 98 percent.

20 Q. And that general percentage would also be  
21 applicable to the smallest -- or proration units that are  
22 the subject of this hearing?

23 A. Let's see. Yeah, that is correct. It would  
24 actually be a smaller percentage uncommitted. And in the  
25 south half, southwest quarter, there would be zero percent

1 uncommitted in the final analysis, is what I anticipate.

2 Q. Okay. Let's go to Exhibit Number 3. Can you  
3 identify this and then, using this exhibit, review your  
4 efforts to obtain voluntary participation in this proposed  
5 well?

6 A. Yeah, Exhibit Number 3 is a volume of  
7 correspondence and certified receipts and notice to all  
8 those parties that are listed on Exhibit 2.

9 In addition to all of the notification and  
10 correspondence, there are a couple letters in here from  
11 independent landmen who, under my supervision, conducted a  
12 title search. We had a title search by an attorney, but  
13 subsequent to that, in an effort to locate the unknown  
14 heirs, we tracked from the records in the Fifties or  
15 Sixties, led us to checking probate, district court records  
16 in Santa Fe County, in Dallas County, and Bernalillo  
17 County, and we have done that, finding no evidence to find  
18 the heirs.

19 However, we did find some leads -- Excuse me, in  
20 Dallas we did find some probate there that led us to an  
21 heir, but we have not located that heir as of this time.

22 As well with the J.R. Cole interest, which was in  
23 Santa Fe County and Bernalillo County, we have now ran down  
24 some information through a law firm that may have knowledge  
25 of where these people are located. The records did not

1 give us any indication, so we're following up on that lead.

2 Q. In fact, the Cole interest may be the wife of the  
3 senior partner of the Santa Fe law firm; isn't that right?

4 A. That is what I have been advised of late.

5 Q. In any event, we're going to pursue that quickly;  
6 is that not correct?

7 A. That is correct.

8 Q. In your opinion, has Enron made a good-faith  
9 effort to locate and obtain the voluntary joinder of all  
10 interest owners in the proposed spacing units?

11 A. Yes, we have.

12 Q. Have you made an estimate of the overhead and  
13 administrative costs to be incurred while drilling this  
14 well and also while producing it if, in fact, it is  
15 successful?

16 A. Yes, we have, and those recommended rates are  
17 \$5800 drilling well rate and \$580 on a producing well rate.

18 Q. Are these the same overhead rates that were  
19 recently approved by the Division for a similar well in  
20 Case 11,540?

21 A. Yes, they were.

22 Q. That was for your Empire Number 5 well?

23 A. That is correct.

24 Q. These are also in line with the costs being  
25 charged by other operators in the area, are they not?

1 A. Yes, they are.

2 Q. Is it your recommendation that these figures be  
3 incorporated into the order which results from today's  
4 hearing?

5 A. Yes, it is.

6 Q. Will Enron call a technical witness to testify  
7 about the risk associated with the drilling of the proposed  
8 well?

9 A. Yes, we will.

10 Q. Were Exhibits 1 through 3 prepared by you or  
11 compiled under your direction?

12 A. Yes, they were.

13 MR. CARR: At this time, Mr. Catanach, we would  
14 move the admission into evidence of Enron Exhibits 1  
15 through 3.

16 EXAMINER CATANACH: Exhibits 1 through 3 will be  
17 admitted as evidence.

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

20 EXAMINATION

21 BY EXAMINER CATANACH:

22 Q. Mr. Tower, which parties did Enron give notice to  
23 of the hearing today?

24 A. At this time, none. Several verbally are aware  
25 of the hearing. Quite a number of these, however, we did

1 not give official notice as, for some time they have  
2 indicated they would return signed agreements. So we did  
3 not anticipate having to name all these parties, other than  
4 the unknown heirs, so we did not do that.

5           However, since we would like to proceed with this  
6 matter, we thought it only appropriate to go ahead and  
7 leave the record open, since we do not have the signed  
8 agreements -- we anticipate or hope we get all the signed  
9 agreements but leave the record open, give proper notice  
10 and go ahead and handle the hearing here to cover both  
11 situations.

12           Q.    Are the unknown heirs the only parties that you  
13 anticipate will not voluntarily agree to the --

14           A.    Ultimately, that is -- Yes, that is a correct  
15 statement. I anticipate that all of these people will be  
16 voluntarily committed, although I have reservation for  
17 some, have for sometime starting May and June, have said  
18 they would commit, and I yet have to get my paperwork in.  
19 Whether they have procrastinated or what, so...

20           My anticipation, though, is, it will just simply  
21 be the unknown heirs. And again, we have some leads now  
22 that hopefully, we'll get some voluntary commitment there  
23 once we can find those people.

24           Q.    Okay. You still will not -- Are you still going  
25 to pursue the Albert Johnson heirs?

1           A.    Yes, we are.  We have an heir, Thelma Richards.  
2    We have found another family member, has no knowledge of  
3    where she's located, but we have found a lead that maybe  
4    will get us to find out where she's located.  We have found  
5    a probate that tells who that heir is now.  We just have  
6    not been able to locate her.  But we plan to attempt to  
7    still do so, and -- So we have not quit our search, since  
8    we've got some additional leads to pursue.

9           Q.    Besides those two heirs, you have been in contact  
10   with all the rest of those interest owners?

11          A.    That is correct.

12                   EXAMINER CATANACH:  Okay, that's all the  
13   questions I have of the witness.

14                   MR. CARR:  At this time, Mr. Catanach, we would  
15   call Randy Cate.

16                                   RANDALL S. CATE,

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

19                                   DIRECT EXAMINATION

20   BY MR. CARR:

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

22           A.    Yes, my name is Randall Cate.

23           Q.    Where do you reside?

24           A.    I reside in Midland, Texas.

25           Q.    By whom are you employed?

1 A. I am employed by Enron Oil and Gas Company.

2 Q. What is your current occupation with Enron?

3 A. I'm a reservoir engineer.

4 Q. Have you previously testified before this  
5 Division?

6 A. Yes, I have.

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

10 A. Yes, they were.

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

13 A. Yes.

14 Q. Have you with others made a technical study of  
15 the area surrounding this proposed well?

16 A. Yes.

17 Q. Are you prepared to share the results of that  
18 study with Mr. Catanach?

19 A. Yes, I am.

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

22 EXAMINER CATANACH: Yes, they are.

23 Q. (By Mr. Carr) Mr. Cate, initially could you just  
24 identify for Mr. Catanach the primary and secondary  
25 objectives in the proposed well?

1           A.    Yes, the primary objective is the Morrow  
2 formation at an approximate depth of 11,200 feet or so, and  
3 then the Strawn carbonate is a secondary objective.

4           Q.    Let's go to what has been marked as Enron Exhibit  
5 Number 4, the AFE, and I'd ask you to review that for the  
6 Examiner.

7           A.    All right, Exhibit Number 4 is the drilling and  
8 completion AFE for the estimated cost through completion on  
9 a well at our 11,800-foot test, and the estimated dryhole  
10 cost through logs would be \$518,000, and a total completed  
11 well cost would be in the range of \$871,000.

12          Q.    Are these costs in line with what has been  
13 charged by other operators for similar wells in the area?

14          A.    Yes, it is.

15          Q.    And Enron has drilled other Morrow wells in this  
16 area?

17          A.    Yes, we have drilled other wells to this depth  
18 range, and these costs are right in line with what we've  
19 experienced.

20          Q.    Let's go to Exhibit Number 5, the cross-section,  
21 and you may want to also at the same time refer to Exhibit  
22 Number 6, because on that there is a trace for the cross-  
23 section, and I would ask you to review those exhibits for  
24 Mr. Catanach.

25          A.    Yes. As you can tell, we like large cross-

1 sections.

2 This cross-section -- correlation also with  
3 Exhibit Number 6 which is a Morrow structure map, and as  
4 Mr. Carr stated, you can see the trace there. But it shows  
5 several wells that we have chosen that represent the Morrow  
6 pay section that we were -- that we are using as an  
7 objective in this well, and also the Strawn, and it also  
8 includes the other intervals in between, such as the Atoka,  
9 and there is a lower Morrow section here also.

10 And the primary emphasis here is that the Strawn  
11 sands are -- or, excuse me, carbonates, are up at the top  
12 level. You can see the proposed location over to the right  
13 side of the cross-section, and simply that for the Strawn  
14 area it is a carbonate again.

15 It's -- We've mapped the isopach that you'll see  
16 in a minute, based on clean carbonate section of this lower  
17 Strawn, which is between the lower Strawn line and this  
18 Atoka marker.

19 And what I'd like to show there is the porosities  
20 are relatively low in the 4- and 5-percent range. They're  
21 also highly variable, and the thicknesses within this  
22 interval are also highly variable. The Strawn will be  
23 interpreted as a shoal type of environment, a big shoal  
24 type of environment.

25 And then the other potential pay in the area for

1 this location would be this middle Morrow which is down  
2 towards the bottom of the cross-section. Again, it -- Now,  
3 it is interpreted as a marine bar environment. And again,  
4 you have variabilities within your thicknesses of the  
5 sands. The porosities can vary from down at 6 percent,  
6 which is generally nonproductive, and on up to possibly 13  
7 percent. There is also some water -- high-water  
8 calculations on some of these sand intervals, which  
9 incorporates additional risks.

10 Also, the well to the far right, which is a north  
11 offset to our location, did encounter a Morrow stray sand  
12 that is not -- it does not correlate into the same  
13 stratigraphic interval as this middle Morrow where most of  
14 the production has been from, and again it's just a Morrow  
15 stray sand or upper Morrow, and it shows the well to the  
16 right did not encounter the primary pay interval, which is  
17 the middle Morrow.

18 Q. Let's go now to the structure map on the lower  
19 Morrow. Can you review that, please? Exhibit Number 6.

20 A. Yes, this is a structure map on the lower Morrow,  
21 which is shown as a dashed line on this cross-section. And  
22 the Morrow being a marine bar, you will expect the sands to  
23 lie in a long strike with the structure. There's no real  
24 extreme paleomovement or anything. There are some small  
25 highs, but through the location we don't anticipate any

1 paleomovement at all. It seems to be just regional dip.

2 Q. All right. Let's go to the isopach on the middle  
3 Morrow, Exhibit Number 7. Can you review that?

4 A. Exhibit Number 7 is a middle Morrow isopach. It  
5 was generated using a gamma-ray cutoff of 60 API units or  
6 less, and we also used crossover from the density neutron  
7 to indicate the presence of gas.

8 It's an overall thickness, or it could be  
9 equivalent to a net sand map, although this can include  
10 sands that we believe are possibly wet sands also. But we  
11 used this primarily as -- to identify where the sands may  
12 lie.

13 Again, the general trend is along the structural  
14 strike, and what should be noted here is that our location  
15 is directly between two wells with -- the well to the  
16 south, the Sand Tank 5, with only 7 feet of sand that met  
17 the cutoff, and the well to the north, the Loco Hills Fed  
18 Com 1 up in Section 29 that only had 10 feet of sand that  
19 met the cutoff. Neither of the wells made economic  
20 producers in that interval.

21 Q. All right, let's go to the Strawn, take a look at  
22 the isopach of the lower Strawn, then, on Exhibit 8.

23 A. Exhibit 8 is an isopach of the lower Strawn  
24 section. The cutoffs that we used here was a gamma ray of  
25 30 API units or less to designate clean carbonate. And

1 again, the general trend of the thicknesses runs along  
2 strike with the structure.

3 The map shows that there are lots of variations  
4 in thicknesses, which you would anticipate in a -- show in  
5 an environment like this.

6 The Sand Tank 5 well, that is the direct offset  
7 to the south, does have a relatively thick interval, but  
8 its performance at this time is not indicative of that. We  
9 had come back and put a 20,000-gallon acid job on this  
10 Strawn in order to try to make some economic rates out of  
11 the well. We just did that last week, and we're trying to  
12 flow the well back, and it's too early to tell if that's  
13 going to work or not.

14 And then again, the well to the far north of our  
15 location only had 8 feet of this Strawn interval and did  
16 not encounter commercial quantities.

17 Q. Let's now review how other wells in the area have  
18 performed, and I'd direct your attention to Enron Exhibit  
19 Number 9, your production map.

20 A. Exhibit Number 9 is a cum production map for the  
21 area. The primary intervals of interest here, the Strawn  
22 is designated by the blue numbers and the Morrow is  
23 designated by the red numbers, and then the black -- Excuse  
24 me, the date of first production is, then, the --  
25 designated right below the cum numbers.

1           You can see for the Strawn in the blue numbers  
2           that there is a Holly Fed 5 well that is in the south half  
3           of Section Number 5, approximately one mile south of our  
4           proposed location, and it is a good well. It's made good  
5           reserves.

6           But directly offsetting it, in Section 4, are  
7           noncommercial tests, two wells there, a noncommercial test  
8           down in Section 8, and then again our test that is  
9           currently underway in the north half of Section 5. Again,  
10          we had to put a rather large stimulation on it, and we are  
11          in the process of flowing that back.

12          But in the first four months of production on the  
13          Sand Tank 5 well, it IP'd at approximately 250 MCF per day  
14          and 70 barrels of condensate. Within four months it was  
15          down to approximately 150 MCF a day and 30 barrels of  
16          condensate, and that's what caused us to go with the large  
17          stimulation. So I believe that that shows the potential  
18          for low reserves, that risk there.

19          On the Morrow, the production, the nearest  
20          production, is the stray sand that was indicated on the  
21          right of the cross-section. That is the well to the north  
22          up in Section 29. Those reserves we would not consider  
23          economic.

24          And other than that, the wells -- another one and  
25          a half miles before you even have another test in the

1 Morrow pay.

2           So primarily here, I think what we're showing is  
3 that the Strawn and Morrow and any other pays that we might  
4 encounter in drilling this well are highly risky, not just  
5 from geologic but from a reserve potential.

6           Q.    Summarize the conclusions you've reached from  
7 your technical study.

8           A.    My conclusions are that due to the high degree of  
9 variability of thickness and porosity and the possibilities  
10 of encountering wet sands and/or carbonates within the  
11 Morrow and Strawn intervals, primarily, that there is a  
12 high chance of either a dryhole or a noncommercial well,  
13 and that the 200-percent penalty is appropriate.

14          Q.    In your opinion, is there a chance that at the  
15 proposed location you could make a well that in fact would  
16 not be a commercial success?

17          A.    Yes, there is.

18          Q.    Is it your recommendation that this 200-percent  
19 penalty apply to all formations in the area?

20          A.    Yes, I do.

21          Q.    In fact, if you encounter production and make a  
22 well in some other formation, other than the Morrow and the  
23 Strawn, that would, in fact, be a higher-risk venture at  
24 this point in time than either of the two subject  
25 formations; is that correct?

1 A. That's correct.

2 Q. Does Enron seek to be designated operator of the  
3 proposed well?

4 A. Yes, we do.

5 Q. In your opinion, will the granting of this  
6 Application and the drilling of this well be in the best  
7 interest of conservation, the prevention of waste and the  
8 protection of correlative rights?

9 A. Yes.

10 Q. Were Enron Exhibits 4 through 9 either prepared  
11 by you or have you reviewed them and can you testify as to  
12 their accuracy?

13 A. Yes, they were.

14 MR. CARR: At this time, Mr. Catanach, we would  
15 move the admission into evidence of Enron Exhibits 4  
16 through 9.

17 EXAMINER CATANACH: Exhibits 4 through 9 will be  
18 admitted as evidence.

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

21 EXAMINER CATANACH: I have no questions for Mr.  
22 Cate.

23 MR. CARR: That concludes our presentation in  
24 this case.

25 EXAMINER CATANACH: Mr. Carr, one question I

1 have. Do you know -- You're seeking in this case to pool  
2 an 80-acre proration unit. Do you know if there's any 80-  
3 acre pools in this area?

4 MR. CARR: We have looked, and I don't believe  
5 there are. If we tied into something and we're looking at  
6 80-acre spacing, but again it would require special rules  
7 to do that. We would want to have the option to have  
8 pooled that, those lanes. But...

9 It was only included, really, Mr. Catanach,  
10 because recently we've encountered a situation where we  
11 didn't pool on that size spacing unit and now are having to  
12 immediately come in for pool rules, and the question is  
13 whether or not the pooling impacts of risk penalty in the  
14 subsequent case. At this point in time I can tell you we  
15 can find no way to even pool.

16 EXAMINER CATANACH: Okay. And you are requesting  
17 we continue this case --

18 MR. CARR: Yes, sir.

19 EXAMINER CATANACH: -- to August 22nd?

20 MR. CARR: Yes.

21 EXAMINER CATANACH: Okay. With that, we'll  
22 continue the case to August 22nd.

23 (Thereupon, these proceedings were concluded at  
24 9:55 a.m.)

25 \* \* \*

## 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.

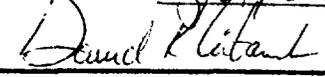
WITNESS MY HAND AND SEAL July 28th, 1996.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11578, heard by me on July 25 1996.

  
 Daniel Plitank, Examiner  
 Oil Conservation Division