

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. 11,770

APPLICATION OF ENRON OIL AND GAS COMPANY)
FOR COMPULSORY POOLING AND SIMULTANEOUS)
DEDICATION, EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 15th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 15th, 1997, 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. 11,770

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A P P E A R A N C E S

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By: PAUL R. OWEN

* * *

1 WHEREUPON, the following proceedings were had at
2 10:10 a.m.:

3 EXAMINER CATANACH: At this time we'll go a
4 little bit out of order at the request of Enron, and we're
5 going to take Case 11,770 first.

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

9 EXAMINER CATANACH: Call for appearances in this
10 case.

11 MR. OWEN: Paul Owen with the Santa Fe law firm
12 of Campbell, Carr, Berge and Sheridan, for the Applicant,
13 Enron Oil and Gas Company.

14 EXAMINER CATANACH: Any additional appearances?
15 Will the witnesses please stand and be sworn in?
16 (Thereupon, the witnesses were sworn.)

17 MR. OWEN: I have two witnesses in this case.
18 The first witness is Patrick Tower.

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

22 DIRECT EXAMINATION

23 BY MR. OWEN:

24 Q. Mr. Tower, please state your full name and place
25 of residence.

1 A. It is Patrick J. Tower. I reside in Midland,
2 Texas.

3 Q. Do you work for Enron?

4 A. Yes, I do.

5 Q. And what do you do for them?

6 A. I'm a -- My title is project landman, petroleum
7 landman.

8 Q. Have you previously testified before the
9 Division?

10 A. Yes, I have.

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

14 A. Yes.

15 Q. Are you familiar with the Application filed in
16 this case?

17 A. Yes, I am.

18 Q. Are you familiar with the subject area?

19 A. Yes.

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

22 EXAMINER CATANACH: Yes, they are.

23 Q. (By Mr. Owen) Mr. Tower, why don't you tell the
24 Examiner what Enron seeks with this Application?

25 A. Enron seeks an order pooling all minerals from

1 the surface to the base of the Morrow formation, under the
2 following spacing units in Section 32, Township 17 South,
3 Range 30 East in Eddy County, New Mexico, specifically, the
4 south half of said Section 32 for all formations developed
5 on 320-acre spacing, the southeast quarter for all
6 formations developed on 160-acre spacing, the north half of
7 the southeast quarter for all formations developed on 80
8 acres, and the northwest quarter of the southeast quarter
9 for all formations developed on 40-acre spacing.

10 Q. Which well do you seek to dedicate this
11 production to?

12 A. The Sand Tank 32 State Com Number 2 well.

13 Q. What is the location of that well, proposed well?

14 A. It is a standard location 1650 from the south
15 line and 1650 from the east line of 32.

16 Q. Do you also seek a simultaneous dedication?

17 A. Yes, at the same time Enron seeks to
18 simultaneously dedicate the 32 Number 2 well with the Sand
19 Tank 32 State Com Number 1 well, which is located 660 feet
20 from the south line and 1980 feet from the west line of
21 Section 32.

22 This is also a Morrow well in the same spacing
23 unit, however it was recently completed in late 1996 and
24 basically is almost -- we have Morrow production, however
25 it's an unsuccessful well and we anticipate it will be

1 depleted probably within the next few months.

2 Q. Mr. Tower, did you file an application in
3 association -- or for compulsory pooling, in association
4 with the Sand Tank 32 State Com --

5 A. Yes.

6 Q. -- Number 1?

7 A. Yes, we did, and it was Division Case Number
8 11,578. It was an order issued, also covering the south
9 half. It was a force-pooling order, in essence the same
10 parties. It was issued under Order Number R-10,669, and
11 this again was for the 32 Number 1, with this south half of
12 Section 32 involved.

13 Q. In Case Number 11,578 and the resulting order,
14 Number R-10,669, was the geology, land and costs presented
15 in that case substantially similar to --

16 A. Yes.

17 Q. -- the testimony to be presented here --

18 A. Yes.

19 Q. -- today?

20 A. In essence, we are stepping over, thinking we
21 just missed, and we're going to try again.

22 Q. All right. Let's go to your Exhibit Number 1,
23 which is a land map. Why don't you walk us through that
24 exhibit?

25 A. Exhibit Number 1 is a land plat of Midland Map

1 Company. In red is the outline of the 320-acre proration
2 unit, the south half of Section 32, I mentioned. The black
3 dot is the location for the 32 State Com Number 2 well.
4 The plat shows the general acreage position in the area.

5 Q. What's the primary objective of the proposed
6 well?

7 A. The Morrow formation.

8 Q. Is Exhibit 2 an ownership breakdown of the south
9 half of Section 32?

10 A. Yes, Exhibit 2 is a breakdown of the parties and
11 their interests that we're requesting be force-pooled.
12 There are several pages, you will note, on Exhibit 2.

13 What I have done is broken out -- The top page is
14 the interest owners for a 320, the second page is for a
15 160-acre, the interest on the southeast quarter. The third
16 page is the -- for an 80-acre spacing, north half,
17 southeast. And then the northwest quarter of the southeast
18 quarter, being the 40 acres, the interest of the parties.

19 You'll note in all cases, it's the exact same
20 parties. On a 320-acre basis, we're force-pooling
21 approximately 2.5-percent working interest these seven
22 people represent. The maximum interest we're force-pooling
23 would be on the 80- and the 40-acre case, and that is, in
24 essence, 6.6-percent interest, being these same parties,
25 just different interest due to the spacing.

1 Q. So you've received approximately 97.5 percent of
2 the acreage voluntarily committed?

3 A. Yes, Enron is the majority owner, and 97.5
4 percent is committed under agreement to this well.

5 Q. All right, let's go to Exhibit Number 3, your
6 AFE. Can you review the totals reflected on the AFE for
7 the Examiner?

8 A. Yes, this is a cost estimate for the drilling of
9 this 32-2. What it reflects is an 11,800-foot Morrow test.
10 The drilling well rate is 512,700, with a total completed
11 well estimate of \$866,200.

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

14 A. Yes, they are.

15 Q. What efforts have you made to obtain voluntary
16 joinder of the individuals reflected on Exhibit Number 2?

17 A. If I can, I may skip ahead to Exhibit Number 4,
18 correspondence, and jointly talk about it.

19 Exhibit Number 4 is a compilation of all these
20 parties and the correspondence and efforts we have -- in
21 trying to secure these interests.

22 Without itemizing the list, in essence, all of
23 these parties who have included some correspondence
24 previously when we dealt with them on the Number 1 well, in
25 essence, was the same situation, and we're dealing with

1 that although we're drilling this new well. We've had
2 discussions trying to entertain mutual agreement
3 throughout, trying to get either well drilled, and have not
4 been successful.

5 So the -- Basically, without going into the
6 correspondence documents, all the efforts, so forth.

7 The last two parties on the list, however, we
8 have not been able to locate, and I've included all of our
9 efforts in this package. It was the same efforts that we
10 presented in the Number 1 that were accepted.

11 In essence, we've had a title attorney go through
12 the records and do a title examination. We've hired an
13 independent landman to research records, chasing heirs in
14 Dallas as well as Bernalillo County. So we made
15 considerable efforts in trying to locate the heirs from
16 these old -- these things, and were not successful, and
17 that is documented.

18 The top letter is the most recent compilation by
19 an independent landman hired to again make an effort to
20 follow up recently with all the parties, other than unknown
21 parties, and it is a summary of his discussions and
22 currently where we stand and basically a statement that no
23 voluntary agreement can be reached.

24 Q. In your opinion, Mr. Tower, do the correspondence
25 and other documents contained in Exhibit Number 4 evidence

1 a good-faith effort on behalf of Enron to locate all
2 individuals and obtain their voluntary joinder?

3 A. Yes, it is.

4 Q. Mr. Tower, has Enron notified the individuals
5 whose interests are being -- are subject to compulsory
6 pooling in this matter?

7 A. Yes, we have, or attempted to deliver -- serve
8 notice where we could locate them.

9 Q. Is Exhibit Number 5 an affidavit from --
10 evidencing letters sent by certified mail to all interest
11 owners?

12 A. Yes. Yes, it is.

13 Q. Have you made an estimate of the overhead and
14 administrative costs while drilling the well and producing
15 it?

16 A. Yes, we're recommending a drilling well rate of
17 \$5800 and a producing well rate of \$580. And I will point
18 out, these are the approved rates in that aforementioned
19 order and also the current rates in the joint operating
20 agreement among the parties already in place drilling this
21 well.

22 Q. Are they consistent with the actual rates of
23 drilling and producing with the Sand Tank 32 Number 1?

24 A. Yes, they are.

25 Q. Are they in line with what's being charged by

1 other operators in the area?

2 A. Yes.

3 Q. Do you recommend that these figures be
4 incorporated into any order that results from this hearing?

5 A. Yes, I do.

6 Q. Mr. Tower, were Exhibits 1 through 5 prepared by
7 you or compiled under your direction and supervision?

8 A. Yes, they were.

9 MR. OWEN: Mr. Examiner, I tender Exhibits 1
10 through 5.

11 EXAMINER CATANACH: Exhibits 1 through 5 will be
12 admitted as evidence.

13 MR. OWEN: Call my second witness, Randy -- Oh,
14 I'm sorry. Excuse me, Mr. Examiner.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Tower, are these the same parties that were
18 force-pooled in the Number 1 well?

19 A. Yes.

20 Q. Did --

21 A. There were some additional ones, but yes, same
22 group. That's a remnant.

23 Q. Did any of these parties ultimately reach any
24 kind of voluntary agreement with you?

25 A. No. In essence, they were treated as a

1 nonconsent interest owner in the previous well, and Enron
2 carried that interest.

3 Q. So you don't believe that anything is going to
4 change with respect to these people?

5 A. No, I don't. However, on two of these parties,
6 the University of New Mexico and Carla Leet, have indicated
7 they would sign agreements, but that dates back to the
8 Number 1, but -- what you call it? Procrastination, or
9 yes, we'll do it. But we've never actually received --
10 We've provided them all the documents, but they never come
11 back signed.

12 So we're hopeful that we're still going to pursue
13 it with those ones that have indicated they will do that.
14 However, based on past performance, you know, we can't
15 count on that.

16 Q. All right. When did your efforts commence to
17 reach some kind of agreement with these parties on Well
18 Number 2?

19 A. Well Number 2, I believe the original -- Let's
20 see. The initial proposal went out March 11th, 1997, for
21 the drilling of this well. There were discussions prior to
22 that, however, with some of these people as to the results
23 of the 32-1 and the possibility of doing this. So there
24 probably were some verbal conversations with some of the
25 parties prior to that.

1 Q. Okay, so everybody else you've got voluntary
2 agreement with, except the parties shown on Exhibit Number
3 2?

4 A. That is correct.

5 Q. And these people were all notified on March 11th
6 that you proposed drilling the Number 2 well?

7 A. That is correct, with the exception of the heirs
8 that we could not locate.

9 Q. Okay. Are those efforts still being pursued?

10 A. Not at this point; We've pretty much exhausted --
11 Again, we spent considerable time and money with a title
12 attorney, hiring independent landman in Dallas, chasing
13 some leads there, hired a federal abstract company here in
14 Santa Fe, checked records in Santa Fe County, we've also
15 checked an independent landman in -- checking Bernalillo,
16 various counties, trying to chase -- For example, we had
17 some old probate or agreements in the 1930s, 1940s, found
18 an acknowledgement and tried to run down people.

19 So we feel like we've exhausted those efforts at
20 this point. We've made calls over the Internet, traded
21 phone calls with all last names, say, for example, in
22 Dallas, and made calls, you know, trying to track them
23 down.

24 So we've made considerable efforts, but all to
25 dead ends. We will -- If we make a successful well, I will

1 probably say that at that point, with a Division order and
2 title opinion, those efforts probably will be revived for
3 another look to see if we can -- you know, at that point if
4 it warrants the additional expense and time.

5 As you can see, the unknown heirs are only, I
6 think, 1.5 percent.

7 Q. Okay. Again, do you anticipate the voluntary
8 agreement of any of the parties?

9 A. No. I will state if, for example, those two do
10 come through, we will dismiss them and will not have them
11 under the order if they do actually come through with
12 agreements.

13 Q. Okay. Is your other witness going to discuss
14 more of the circumstances about the Number 1 well?

15 A. Yes, sir.

16 EXAMINER CATANACH: Okay, then I have nothing
17 further. This witness may be excused.

18 MR. OWEN: Now I would call my second witness,
19 Randy Cate.

20 RANDALL S. CATE,
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. OWEN:

25 Q. Mr. Cate, please state your full name and where

1 you live.

2 A. My name is Randall Stuart Cate, and I reside in
3 Midland, Texas.

4 Q. And by whom are you employed?

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

6 Q. What's your position with Enron?

7 A. Reservoir engineer.

8 Q. Have you previously testified before the Division
9 or one of its examiners and had your credentials as an
10 engineer accepted and made a -- as a geologist accepted and
11 made a matter of record?

12 A. I have testified on geologic matters at previous
13 hearings.

14 Q. As well as an engineer?

15 A. As well as engineering, yes, and they have been
16 accepted.

17 Q. Are you familiar with the Application filed in
18 this case?

19 A. Yes, I am.

20 Q. Are you familiar with the subject area?

21 A. Yes, I am.

22 MR. OWEN: Are the witness's qualifications
23 acceptable?

24 EXAMINER CATANACH: They are.

25 Q. (By Mr. Owen) Mr. Cate, have you prepared

1 certain exhibits for presentation in this case?

2 A. Yes, I have.

3 Q. Based on those exhibits, which we'll review, are
4 you prepared to make a recommendation to the Examiner as to
5 the risk penalty that should be assessed against the
6 nonconsenting interest owners?

7 A. Yes, we will recommend a maximum 200 percent
8 penalty.

9 Q. All right, let's go to the exhibits. The first
10 exhibit is a structure map?

11 A. Yes, it is. It's Exhibit Number 6. It's a
12 structure map in the red shaded area, that is the 320-acre
13 south-half spacing unit that would be designated to the
14 Sand Tank 32 State Com Number 2.

15 The significance of the structure map is it's
16 basically just regional dip. There's not much structuring
17 occurring. This map is on the lower Morrow, which is our
18 primary objective in the Sand Tank 32 Number 2 well.

19 The other thing to note, the well in the Sand
20 Tank 6 Federal Number 1, which is approximately one mile to
21 the southwest in Section 6 is producing high water cuts
22 from a lower Morrow completion at approximately 100 barrels
23 per million cubic feet of gas. That is going to be one of
24 the significant risks in these lower Morrows, is that we
25 have at, least at this subsea datum, we have encountered

1 water, and we'll show you also on a cross-section for that
2 well, but the middle Morrow is wet also.

3 So as far as structure goes, there's not anything
4 other than regional dip, but in the lower Morrow pods we
5 are encountering water production, and also in the middle
6 Morrow we're encountering the water production.

7 Q. With Exhibit Number 7, can you explain what
8 Exhibit Number 7 is?

9 A. Okay, Exhibit Number 7 is our interpretation of
10 the lower Morrow pods distribution in this area. Again, we
11 did drill the Sand Tank 32 Number 1 well and made a very
12 marginal producer, which I'll show you the decline curve in
13 a few minutes here.

14 But we want to try again. The lower Morrow is
15 the primary target. It's primarily a meander stream point
16 bar system that basically runs down your structural dip.
17 And what we have found in this area is, they are small
18 areal extent, they can encounter water production, they're
19 reservoir quality, problems as far as permeability and
20 porosity development.

21 And again, the well that we will be offsetting
22 directly, the Sand Tank 32 Number 1, has produced less than
23 .1 of a BCF out of a very limited lower Morrow sand, and
24 again I'll show that.

25 There is a very good producer to the north that

1 is in this pod around the McIntyre A. That well has
2 produced 7 BCF, but as you can see, it's surrounded by
3 wells with zero sand. So find one, and then you might try
4 six around it with zero sand.

5 So again, you can see the risk of encountering
6 these is very high.

7 Q. Now, Mr. Cate, I assume that this isopach differs
8 from the isopach presented in support of the compulsory
9 pooling case, the Sand Tank 32 Number 1. Does the
10 difference stem from the production data obtained from the
11 Number 1?

12 A. From the well control of drilling the 32 State
13 Number 1, yes.

14 Q. All right, Mr. Cate, let's go to your third
15 exhibit, which is Enron's Exhibit Number 8.

16 A. This is a cross-section involving two wells that
17 have the common pay for after, which would be the lower
18 Morrow.

19 And then our location, proposed location, is on
20 the far right. And as you can see, Mr. Examiner, the pay
21 in the lower Morrow, which is the lowest red color on the
22 left well, the Sand Tank 6, is fairly thick. But by the
23 time we got to the Sand Tank 32 Number 1, which is the well
24 to the right here, it had been down to -- well, basically
25 maybe six feet of pay.

1 These are even separate sands. The Sand Tank 6,
2 at a structural position which is a little higher than the
3 32-1, is producing a lot of water, while the Sand Tank 32-1
4 just completed, and is basically down to 20 MCF a day,
5 after producing approximately 80 million cubic feet. So
6 they're not even in the same reservoir.

7 Again, the middle Morrow, as you can see from the
8 Sand Tank 6 to the 32 Number 1, we went from a thick, wet
9 sand to almost no sand.

10 And other zones that we will want considered
11 under the force pooling on 320 will be the Atoka. That is
12 the uppermost red-colored sand on the well to the left, the
13 Sand Tank 36 -- excuse me, Sand Tank 6 Number 1. We did
14 make a completion on it. It has produced less than half a
15 BCF and is almost depleted. So again, a limited reservoir
16 there out of approximately 24 feet of sand.

17 Tracing it over to the Sand Tank 32 Number 1, to
18 the right, and that sand is basically not present.

19 The Strawn is not colored, but it is at the very
20 top of the cross-section. We have not encountered what we
21 feel would be a commercial -- There is Strawn production in
22 the south, and I'll show you that on a production plot, or
23 map. But there is some small porosity stringers. It is a
24 carbonate shoaling. We haven't presented maps because we
25 just don't feel that it's even much of a secondary target,

1 although it does produce in the area some small amounts.

2 Q. Okay, let's move on to Enron Exhibit Number 9,
3 which is your production map.

4 A. Yes, Exhibit Number 9 is a production map of the
5 same area.

6 The numbers are -- The top number will be the gas
7 production through February of 1997. The second or middle
8 number is the condensate or oil, associated oil, that's
9 been produced. And then the date that you see is the first
10 date of production.

11 The different colors just signify the different
12 pay that's shown down in the legend, and then an NCT
13 signifies a noncommercial test of that same color.

14 Again, from a risk point of view on all these
15 zones, you can see the Sand Tank 32 Number 1. It's only --
16 It's produced less than .1 of a BCF and is almost depleted.
17 There is no well control over in Section 33, there's no
18 well control in the north half of Section 32.

19 There is Strawn production that has been found to
20 the south in the Sand Tank 5, but again it's very low rate.
21 The well is only producing 200 to 250 MCF per day and
22 approximately 25 barrels of condensate.

23 So if that zone is present in the current
24 location, the proposed location, we anticipate it would be
25 a bailout zone of low rate.

1 The Morrow -- Again, the best Morrow was to the
2 north in that McIntyre A. We are at least two miles from
3 that, and again, it is surrounded by noncommercial tests.

4 The Atoka, the well in the Sand Tank 6, which is
5 a mile southwest again, is the only Atoka that we have
6 found in this area. Again, it's produced about 550 million
7 cubic feet of gas and is almost depleted.

8 There's really little other potential that we
9 see.

10 Q. Okay, Mr. Cate, with Exhibit Number 10, why don't
11 you give us a summary of the risks in primary A areas?

12 A. I just prepared a summary of what our primary and
13 secondary objectives are in this well and the associated
14 risks, which I've already stated, just for your purposes
15 here.

16 And again, I think the primary risks are for the
17 lower Morrow and middle Morrow that we've encountered water
18 production.

19 We know that we're seeing limited reservoir
20 sizes, so the chance of encountering sands is fairly risky.
21 We have limited extents and then we have also seen
22 reservoir-quality problems also.

23 And again, for the Atoka and Strawn, which are
24 secondary objectives, any commercial production has only
25 been found to the south, approximately a mile away. It too

1 is highly variable, limited extent reservoirs.

2 Q. Based on the summary of risks, do you think that
3 there is a chance that you could drill a well at the
4 proposed location that would not be a commercial success?

5 A. Yes, there's a high chance of finding a
6 noncommercial well or just an outright dryhole at this
7 location.

8 Q. Does Enron seek to be the designated operator of
9 the well?

10 A. Yes, we do.

11 Q. Before we close that, why don't we go ahead and
12 look at Exhibit Number 11, showing the production curve of
13 the Sand Tank 32 Number 1?

14 A. The Sand Tank 32 Number 1 production curve, which
15 is on Exhibit Number 11, shows that the well came on at --
16 oh, averaged, I think, 300 or 400 MCF a day. The plot here
17 is on a daily rate. And as you can see here in the last
18 two to three months we are only averaging 20 to 30 MCF per
19 day.

20 All we're asking for is to go ahead and just
21 completely deplete this zone, which should happen in a
22 matter of months, and we'll just get the incremental gas
23 out, and then we will be proposing to partners to either
24 plug the well or attempt maybe a backup zone, attempt a
25 completion.

1 We don't have any other zones identified in the
2 well, so it may just be a recommendation to plug.

3 Q. So Mr. Cate, even though you seek simultaneous
4 dedication with this Application, do you foresee
5 simultaneous production for the indefinite future?

6 A. No, we do not. At the most it would be two or
7 three months, in my opinion.

8 Q. Will permitting Enron to simultaneously dedicate
9 the two wells, will that permit Enron to recover the last
10 remaining recoverable reserves?

11 A. Yes, it would.

12 Q. Will it affect the correlative rights of any
13 offsetting operators?

14 A. No.

15 Q. In your opinion, will granting this Application
16 be in the best interests of conservation, the prevention of
17 waste and the protection of correlative rights?

18 A. Yes, I do.

19 Q. Were Enron's Exhibits Number 6 through 11
20 prepared by you or compiled under your direction?

21 A. Yes, they were.

22 MR. OWEN: Mr. Examiner, I would tender Enron's
23 Exhibits 6 through 11.

24 EXAMINER CATANACH: Exhibits 6 through 11 will be
25 admitted as evidence.

1 MR. OWEN: I have no further questions for this
2 witness.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Cate, what would be the economic limit for
6 that Number 1 well?

7 A. Probably at it. What we've done is turn this gas
8 to a low-pressure system that exists out there for shallow
9 production.

10 This area is covered with this -- I think it's
11 Loco Hills and Grayburg production. So there's an existing
12 low-pressure system, 50 pounds or so, 30 pounds. We're
13 just letting it flow until it won't flow anymore.

14 So I think we're basically at the economic limit.

15 Q. You say max two to three months?

16 A. Yes, I think we'd probably let it flow 20 to 30
17 MCF a day, as long as it will, but -- you know, but looking
18 at the decline curve I'd anticipate two or three months it
19 probably won't flow again, but -- It may be a little
20 longer, but I don't anticipate any higher rate than this 20
21 to 30 MCF a day.

22 There's nothing more we can do as far as
23 compression or a low-pressure system.

24 Q. If we gave you six months, do you think that
25 would be adequate?

1 A. Yes, I do.

2 Q. Okay. Did you say that the Number 1 did produce
3 water?

4 A. No, the Number 1 did not produce water. It was
5 entirely separate reservoir from the lower Morrow
6 encountered in the Sand Tank 6 well.

7 Q. Okay.

8 A. So this is not a loading problem, it's a pure
9 depletion.

10 Q. Are you essentially saying that the Number 1
11 encountered zero in that lower Morrow well?

12 A. Yes, this lower Morrow map is actually for the
13 correlative sand of the Sand Tank 6, and if you look on the
14 cross-section you'll actually see that we interpret this
15 lower Morrow sand encountered in the 32 Number 1 to lay on
16 top.

17 So being a separate sand, and we know that it's -
18 - they are separate sands, although they're in the same
19 lower Morrow interval.

20 So what we are looking for by this map would be
21 the same lower Morrow that you'll see in the Sand Tank 6
22 Number 1, which is the well on the cross-section of the
23 left.

24 And so I guess you could say that there's five or
25 six feet there if you wanted to, but it would be, even

1 then, a separate little sand pod. My guess is maybe five
2 to ten acres, based on the producing 80 MCF or 80 million
3 cubic feet.

4 Q. So how do you project that pod being there in the
5 southeast quarter?

6 A. What we have done is, we've got several ways that
7 we can map it.

8 These trends, again, they're meander stream, and
9 so we map these stream trends through the north, basically
10 control here and control here, and simply we missed it
11 here. I think maybe it swings this direction.

12 If you notice on the cross-section, we
13 encountered a hot shale in place of the lower Morrow sand
14 that we see in the Sand Tank 6. Sometimes that can be an
15 indicator of a clay plug or clay fill in the channel. And
16 so maybe we missed it, you know, this side of the channel.
17 We'd like to go try the other side of the channel and see
18 if it's there.

19 There's also -- you can map on the Barnett -- You
20 can map the Barnett, and sometimes there's indications of
21 either valleys that might have been a path for these lower
22 Morrow sands to come down.

23 EXAMINER CATANACH: Mr. Owen, with respect to the
24 simultaneous dedication, was there any notice given for
25 that aspect of this case?

1 MR. OWEN: I believe that the Application
2 contained a simultaneous dedication request, and we
3 attached the Application with our notice letter, which was
4 sent by certified mail to all the interest owners.

5 EXAMINER CATANACH: To all the interest owners --

6

7 MR. OWEN: Or to the persons being force-pooled.

8 EXAMINER CATANACH: Were there any offset
9 operators given notice?

10 MR. OWEN: That's a good question.

11 Mr. Examiner, looking at the land plat, Phillips
12 is in the well in Section 31 -- Phillips has joined in
13 the -- is a partner in the well -- They're not?

14 MR. TOWER: Can I speak?

15 MR. OWEN: Yeah, I believe Mr. Tower can shed
16 some light on this subject, Mr. Examiner.

17 EXAMINER CATANACH: Okay.

18 MR. TOWER: As far as notice, I don't believe
19 notice was given the offset operators concerning the
20 simultaneous dedication.

21 Several of our -- Enron is probably the
22 predominant operator in most of the offsets. Yates
23 Petroleum has some interest; they are a partner in this
24 well.

25 To the west and south and southeast, Enron is the

1 operator of all those spacing units offsetting it.

2 To the east it is Phillips and Anadarko. There's
3 no specific notice been given, as far as the simultaneous
4 dedication, primarily, I think it's thought, because it
5 would be depleted before we needed it.

6 And then to the north we have, I believe,
7 Chevron. They are aware or have had discussions about this
8 location, although it wasn't formal notice. And then Yates
9 again and Enron.

10 So we do have a few companies that we did not
11 specifically notify as to this simultaneous as far as
12 offset notice, so that that is correct.

13 EXAMINER CATANACH: Okay. Again, let's go over.
14 In Section 6, Enron is the operator of that well?

15 MR. TOWER: Yes, the east half, Sand Tank 6,
16 Enron is the operator.

17 EXAMINER CATANACH: And there is no current
18 Morrow production in Section 5?

19 MR. CATE: That's correct.

20 MR. TOWER: That is correct. However, Enron is
21 the designated operator. We did drill that well to the
22 Morrow in the north half of 5, and all of the -- Enron is
23 the current operator under those contracts, even for the
24 Morrow.

25 EXAMINER CATANACH: Okay. The only other Morrow

1 offsetting production, it appears, would be up in Section
2 29, and I believe you testified Chevron operates that?

3 MR. TOWER: No, I'm sorry, Chevron was in the
4 north half of 32.

5 See, the existing wells -- You're correct, that
6 particular well, I believe, West Loco Hills, Anadarko is
7 the operator.

8 We -- Enron, if that's the well that I recall --
9 Mr. Cate may --

10 MR. CATE: Yes.

11 MR. TOWER: -- verify this -- was a Morrow
12 producer that was plugged back, sometime back. Enron was a
13 partner in that well with Anadarko being the operator.
14 However, it's long since been plugged back to its shallow
15 zone.

16 EXAMINER CATANACH: Okay, so the only affected
17 offset -- the only affected -- or the only offset Morrow
18 production is in Section 6 at this point in time?

19 MR. TOWER: That is correct.

20 EXAMINER CATANACH: And Enron is the operator?

21 MR. TOWER: That is correct.

22 MR. CATE: That's right.

23 EXAMINER CATANACH: Okay, I think that probably
24 will satisfy us.

25 I have nothing further.

1 Mr. Owen, do you have anything further?

2 MR. OWEN: I don't have anything further, Mr.
3 Examiner.

4 EXAMINER CATANACH: Okay, there being nothing
5 further in this case, Case 11,770 will be taken under
6 advisement.

7 (Thereupon, these proceedings were concluded at
8 10:49 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11770,
heard by me on May 15 1997.
David R. Catanch, Examiner
Oil Conservation Division

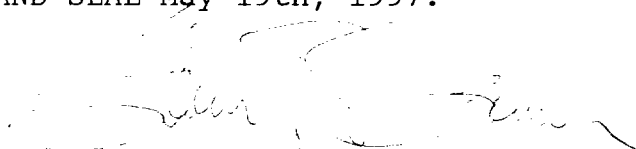
CERTIFICATE OF REPORTER

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 May 19th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998