

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

IN THE MATTER OF THE HEARING CALLED BY	)	
THE OIL CONSERVATION DIVISION FOR THE	)	
PURPOSE OF CONSIDERING:	)	
	)	
APPLICATION OF PALADIN ENERGY CORP. FOR	)	CASE NOS. 11,870
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO	)	
	)	
APPLICATION OF PALADIN ENERGY CORP. FOR	)	and 11,871
AN UNORTHODOX WELL LOCATION, LEA COUNTY,	)	
NEW MEXICO	)	
	)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 6th, 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, November 6th, 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.

\* \* \*

STEVEN T. BRENNER, CCR  
(505) 989-9317

## I N D E X

November 6th, 1997  
 Examiner Hearing  
 CASE NOS. 11,870 and 11,871 (Consolidated)

PAGE

## APPLICANT'S WITNESSES:

<u>RICHARD G. FUERMAN</u> (Engineer)	
Direct Examination by Mr. Owen	4
Examination by Examiner Catanach	11
<u>WILLIAM C. BAHLBURG</u> (Geologist)	
Direct Examination by Mr. Owen	13
Examination by Examiner Catanach	19

REPORTER'S CERTIFICATE	26
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## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	11
Exhibit 2	7	11
Exhibit 3	8	11
Exhibit 4	9	11
Exhibit 5	15	19

\* \* \*

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

## FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN P.A.  
 Suite 1 - 110 N. Guadalupe  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: PAUL R. OWEN

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:16 a.m.:

3  
4 EXAMINER CATANACH: At this time I will call Case  
5 11,870, which is the Application of Paladin Energy  
6 Corporation for a unit agreement, Lea County, New Mexico.

7 Call for appearances in this case.

8 MR. OWEN: Paul Owen of the Santa Fe law firm  
9 Campbell, Carr, Berge and Sheridan, for the Applicant,  
10 Paladin Energy Corp.

11 Mr. Examiner, Case Number 11,871 involves the  
12 same facts. It's an unorthodox well location within the  
13 unit for which we seek approval in Case Number 11,870, and  
14 we request that we just simply consolidate the hearing of  
15 this matter.

16 EXAMINER CATANACH: Okay. At this time I'll call  
17 Case 11,871, which is the Application of Paladin Energy  
18 Corporation for an unorthodox well location, Lea County,  
19 New Mexico.

20 Are there additional appearances in either of  
21 these cases?

22 Okay. Will the witnesses in these cases please  
23 stand to be sworn in?

24 (Thereupon, the witnesses were sworn.)

25 MR. OWEN: I call Mr. Rick Fuerman.

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RICHARD G. FUERMAN,

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

DIRECT EXAMINATION

BY MR. OWEN:

Q. Please tell us your name and where you live.

A. My name is Richard G. Fuerman, and I live at 2111 Green Hill Drive in McKinney, Texas.

Q. And what do you do for a living?

A. I am the vice president of acquisitions for Paladin Energy Corp.

Q. Have you previously testified before this Division or one of its Examiners and had your credentials made a matter of record?

A. No, I have not.

Q. Do you do -- What do you do for Paladin in your capacity as vice president of acquisitions?

A. Basically, we're a fairly small firm, so I'm involved with all aspects of acquisitions and also dealing with our operations.

Q. What is your educational background?

A. I have a BS in petroleum engineering from the University of Missouri at Rolla, obtained in December of 1981.

Q. And what have you done for a living since you got

1 your BS?

2 A. Since college I've actually been employed for  
3 over 15 years in the petroleum industry. Ten of those  
4 years -- My initial ten years was with Oryx Energy, in  
5 various engineering assignments. I spent about 2 1/2 years  
6 with Bridge Oil, USA, and the last three years I've been  
7 with Paladin Energy.

8 Q. Are you familiar with the Application filed in  
9 this case?

10 A. Yes, I am.

11 Q. Are you familiar with the proposed Paladin  
12 exploratory unit and the lands contained therein?

13 A. Yes, I am.

14 Q. Are you familiar with the ownership of the lands  
15 in the Paladin exploratory unit?

16 A. Yes, I am.

17 MR. OWEN: Are the witness's qualifications  
18 acceptable?

19 EXAMINER CATANACH: They are.

20 Q. (By Mr. Owen) Mr. Fuerman, why don't you tell us  
21 what Paladin seeks with these two Applications?

22 A. We're seeking two things.

23 First of all, approval of the Paladin Exploratory  
24 Unit, which is a voluntary exploratory unit, containing  
25 about 80 acres of state and fee lands, located in Lea

1 County, New Mexico.

2 And secondly, we're seeking approval of an  
3 unorthodox well location for our proposed State C Number 3  
4 well, which is to be drilled to the Devonian formation in  
5 the King field at a location of 1550 from the north line  
6 and 10 feet from the west line of Section 36, 13 South, I  
7 believe 37 East.

8 Q. Is this going to be the first well in this  
9 proposed unit?

10 A. Yes, it will.

11 Q. It's a pretty small unit. Is this going to be  
12 the only well that Paladin's going to drill?

13 A. Yes, we anticipate that will be the only well  
14 required.

15 Q. Now, in the unitization case, this case has been  
16 advertised as seeking unitization of all formations. Are  
17 you actually seeking unitization of all formations from the  
18 base to the surface -- from the surface to the base of the  
19 Devonian?

20 A. No, what we are seeking is just the unitization  
21 of the Devonian formation.

22 Q. Have you prepared certain exhibits for  
23 introduction in this case?

24 A. Yes, I have.

25 Q. Why don't we take a look at Paladin's Exhibit

1 Number 1? Why don't you tell us what that is?

2 A. Exhibit 1 is a standard form of the state/fee  
3 exploratory unit for the State of New Mexico.

4 Q. Is this the unit agreement that you've developed  
5 for the Paladin Exploratory Unit?

6 A. Yes, it is. What we've done is take the standard  
7 form and actually filled in the necessary items required.

8 Q. Now, Exhibit Number -- Paladin's Exhibit Number 2  
9 is Exhibit 8 in the unit agreement. Why don't you look  
10 over that plat and tell us what's contained in that  
11 exhibit?

12 A. Okay. Basically shown in yellow here is areas  
13 that are leases that Paladin operates. We have in the  
14 southeast of Section 35 the Fleet lease, the northeast of  
15 Section 35 the Reed lease, and then in the northwest  
16 section of 36 the State "C" lease.

17 It also shows outlined in dotted red lines the  
18 proposed 80-acre working interest unit, which will include  
19 40 acres from the Reed lease and then 40 acres from the  
20 State lease. Also shown is the proposed well location in  
21 that proposed 80-acre working interest unit.

22 Q. Does this also contain designations of the  
23 producing and nonproducing wells in the immediate vicinity?

24 A. Yes, it does. As shown in the legend there, any  
25 Devonian producers are shown by a circle, any Wolfcamp

1 producers are shown by the hexagon. Wells that are not  
2 either shown with a circle or hexagon actually are not  
3 currently producing.

4 Q. All right. Let's go to Paladin's Exhibit Number  
5 3, so you can tell us about the ownership breakdown of  
6 those leases. Why don't you review the ownership breakdown  
7 for us?

8 A. Okay. Basically, this is Exhibit B to the unit  
9 agreement, and as shown here we have two tracts, the first  
10 tract being a state tract, and going across, just a  
11 description of the lands and then a listing of the various  
12 ownerships, the leasees of record, overriding royalty  
13 interest, and also the working interest.

14 And then for Tract 2, we have it broken out into  
15 three separate sections there. Basically, you have a water  
16 -- a mineral interest and a one-half mineral interest, and  
17 then the additional quarter mineral interest in that lease  
18 that's all undivided mineral interest.

19 And then below the line there is just a  
20 tabulation of the totals of Section 2 -- I mean of Tract 2,  
21 there again, also showing the leasee of record, the  
22 overriding royalty percentage, and the working interest.

23 And then down in the bottom left-hand corner we  
24 have a tabulation showing 40 acres of state lease or state  
25 lands, comprising about 50 percent of the total acres of



1 the proposed unit.

2 Q. Now, you've obtained a commitment to this unit  
3 from some of the ownership interests. Why don't you turn  
4 to Exhibit Number 4 and tell us about the commitments that  
5 you've received?

6 A. Okay. Basically, this is a listing of the  
7 working interests in the Paladin unit, totaling 100  
8 percent. And we have received approval for formation of  
9 the unit and also for approval of drilling the proposed  
10 well from these interests.

11 Q. How did you receive that approval?

12 A. We actually had a mailing to them where we  
13 discussed our -- informed them of our planned unit proposal  
14 and that we were having a hearing as of this date and  
15 requested their approval of that, forming that unit, and  
16 also formally approving an AFE for the drilling of the  
17 well.

18 Q. Are you in the process of seeking ratification of  
19 the unit agreement from the working and royalty interest  
20 owners?

21 A. Yes, we are.

22 Q. Do you anticipate any problem in obtaining  
23 that --

24 A. No, we do not.

25 Q. -- those ratifications?

1 Does Paladin have effective control of unit  
2 operations?

3 A. Yes, we do.

4 Q. Have you discussed this matter with the  
5 Commissioner of Public Lands or his representatives?

6 A. Yes. In fact, yesterday afternoon we had a  
7 meeting with Mr. Pete Martinez and several other  
8 individuals, and we gave them our various exhibits and  
9 documents and asked if there was any additional questions  
10 or additional documents required, and they indicated there  
11 were not and that they would be taken under advisement.

12 Q. Do you anticipate any problems in receiving  
13 approval of the unit from the Commissioner of Public Lands?

14 A. No, we do not.

15 Q. Does Paladin desire to be the designated unit  
16 operator?

17 A. Yes, we do.

18 Q. Does the agreement, unit agreement, provide for  
19 periodic filing of plans of development?

20 A. Yes, it does.

21 Q. Will these be filed with the OCD as well as the  
22 State Land Office?

23 A. Yes, they will.

24 Q. How often are those plans going to be filed?

25 A. The initial plan is due within six months of

1 completion of the well, and the subsequent plans are due  
2 annually, due prior to March 1st of each year.

3 Q. Has Paladin prepared certain geologic exhibits,  
4 and do you have a geologic witness to review the data for  
5 the Examiner?

6 A. Yes, we do.

7 Q. Were Paladin's Exhibits Number 1 through 4  
8 prepared by you or compiled under your direction?

9 A. Yes, they were.

10 MR. OWEN: Mr. Examiner, I offer Paladin Exhibits  
11 Numbers 1 through 4.

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

14 MR. OWEN: That's all I have for this witness.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Fuerman, did the Land Office give you  
18 preliminary approval as of yet?

19 A. What was stated to me -- to us, by Pete Martinez  
20 was that they would take it under advisement. They didn't  
21 see any problems with anything, but they would take it  
22 under advisement.

23 MR. OWEN: We didn't receive -- we didn't -- I  
24 attended that meeting yesterday, Mr. Examiner. We didn't  
25 receive formal preliminary approval, but I don't anticipate

1 there being any problem with either preliminary or final  
2 approval.

3 Q. (By Examiner Catanach) Okay. Which of the  
4 royalty interest owners do you have tied up at this point?

5 A. Actually, at this point we do not have any  
6 ratification from any of the royalty owners.

7 Q. It looks like there's about -- what, six, six of  
8 those interest owners?

9 A. Working interest?

10 Q. Royalty.

11 A. Oh.

12 Q. Royalty and overriding royalty.

13 A. Actually, there's -- Actually, I believe that's  
14 approximately correct, I believe there's six royalty owners  
15 in the Reed lease.

16 Q. Okay, and you're currently trying to get them  
17 voluntarily committed?

18 A. Yes.

19 Q. Okay.

20 A. We do not anticipate any problem with that.

21 Q. Okay. This well is going to be a Devonian well.  
22 Is that spaced on 40 acres or 80 acres? Do you know?

23 A. I believe it will be spaced on 40s.

24 Q. Okay. But production between this particular  
25 well is going to be shared between these two 40-acre

1 tracts; is that correct?

2 A. That's correct.

3 EXAMINER CATANACH: Okay. That's all the  
4 questions I have of this witness.

5 MR. OWEN: Thank you, Mr. Fuerman.

6 My second witness is Mr. Bill Bahlburg.

7 WILLIAM C. BAHLBURG,

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

10 DIRECT EXAMINATION

11 BY MR. OWEN:

12 Q. Please tell us your name and where you live.

13 A. My name is William C. Bahlburg, and I live in  
14 Plano, Texas, which is a suburb of Dallas.

15 Q. And where do you work?

16 A. I work at Bahlburg Exploration, Inc.

17 Q. Have you previously testified before this  
18 Division or one of its Examiners and had your credentials  
19 as a geologist accepted and made a matter of record?

20 A. I have.

21 Q. Are you familiar with the Applications filed in  
22 this case?

23 A. I am.

24 Q. Have you made a geologic study of the area  
25 surrounding the proposed Paladin exploratory unit?

1 A. I am.

2 MR. OWEN: Are the witness's qualifications  
3 acceptable?

4 EXAMINER CATANACH: They are.

5 Q. (By Mr. Owen) What formations are being unitized  
6 in the Paladin exploratory unit?

7 A. We're seeking approval to unitize the Devonian  
8 formation only at this time.

9 Q. What is the interval that you anticipate being  
10 the Devonian?

11 A. We don't expect to encounter the Devonian at a  
12 depth higher than about 11,800, so everything from 11,800  
13 down.

14 Q. And what do you have -- to what depth are you  
15 authorized under the unit agreement to penetrate?

16 A. To 12,700 feet.

17 Q. So the Devonian is the primary objective in this?

18 A. That's correct.

19 Q. In what pool?

20 A. It's in the King-Devonian Pool.

21 Q. Other prospects in the wellbore?

22 A. There are some other formations that have some  
23 recompletion potential uphole, later on.

24 For instance, I'll refer you back to Exhibit  
25 Number 2 where we've identified the current production in

1 the field, and there are two zones currently producing in  
2 the field, the Devonian and the Wolfcamp. And if you'll  
3 look at that exhibit, you can see that right now there are  
4 five active Wolfcamp wells within the field, four of which  
5 are on the Paladin leasehold, and two of which are in the  
6 proposed unit, one on each 40-acre tract.

7 So we fully expect to encounter Wolfcamp  
8 production at this location. However, it's going to be  
9 partially depleted.

10 Q. Do you anticipate producing from the Penn or the  
11 Wolfcamp from this well in the near future?

12 A. Not in the near future, but certainly years down  
13 the road, there's potential to seek application to come up  
14 the hole and complete in one of those zones.

15 Q. Are you seeking that at this time?

16 A. No.

17 Q. Okay. Let's turn to Paladin Exhibit Number 5.  
18 Why don't you review that exhibit for the Examiner.

19 A. Okay. Exhibit Number 5 is a Devonian time  
20 structure map that was prepared from a 3-D seismic data  
21 set. And if you'll look at Exhibit 2, you kind of place it  
22 in its proper position, because we've cropped a portion of  
23 the data set off north and south of the subject area.

24 Shown on Exhibit 5 we've got a portion of Section  
25 36 and 35. The dark, heavy black lines are faults that

1 have been identified from the 3-D data set.

2 In general, this is the central portion of King  
3 field at the Devonian level, and it's comprised of a large  
4 horst block, which is bounded on the east side by about  
5 1000 feet of throw down to the east, and on the west side  
6 by about 500 to 600 feet of throw. And within that much  
7 larger horst block you've got some smaller fault systems  
8 that occur that have anywhere from 100 to 200 feet of  
9 throw.

10 The exhibit shows the lease outline of the Reed  
11 lease and, for the most part, the lease outline of the  
12 State "C" lease. It also shows the proposed 80-acre unit,  
13 as well as the proposed unorthodox location, which is 1550  
14 from the north line and 10 feet from the west line.

15 It also shows the subsea elevation of the various  
16 wells that have penetrated the Devonian to date. Referring  
17 back to Exhibit Number 2, you'll see that the Reed Number  
18 2, which is directly northwest of the proposed location, is  
19 the only current Devonian producer at this time. And it  
20 falls an estimated 50 feet from a subsea elevation low to  
21 this particular well in the proposed location. It's also  
22 separated by a fault with approximately 100 feet of throw.

23 What's also shown here is a smaller horst block,  
24 if you will, on top of the larger King field horst block,  
25 that literally straddles the section line between Section



1 36 and 35.

2 The scale of the map, by the way, is one inch  
3 equals 500 feet.

4 What we're proposing to do is to drill the center  
5 of that small horst block on that culmination and hopefully  
6 obtain not only attic oil but possibly additional oil that  
7 has not been drained from that fault block because of  
8 compartmentalization of the reservoir due to the faulting.

9 Q. Now, you're authorized to go down to 12,700. Do  
10 you anticipate the well going that deep?

11 A. Well, I think that's just a -- probably not, but  
12 my point is, we could go to 12,700, we could decide to do  
13 that at some point in time.

14 Q. In terms of the reservoir, where is this initial  
15 test well located?

16 A. In terms of the reservoir?

17 Q. I mean, are you looking for the top of this  
18 feature?

19 A. Correct, we're trying to drill this structural  
20 culmination identified by this little fault block on top of  
21 the King field structure. And we're going to take measures  
22 to make sure that the borehole is straight, obviously,  
23 because if we drift any direction, to the north, east or  
24 west, we could miss it.

25 Q. What's the reservoir drive mechanism?

1           A.    The reservoir drive mechanism in the Devonian is  
2   a fairly strong water drive.  But we have found significant  
3   evidence that the reservoir in this particular field, in  
4   this structure, is to some degree compartmentalized in that  
5   throughout its production history there have been adjacent  
6   wells where the high well, structurally high well, has  
7   watered out years before the structurally low adjacent well  
8   on a different fault block.

9           Q.    In your opinion, is this proposed unorthodox  
10   location necessary to effectively produce the reserves in  
11   this pool?

12          A.    Absolutely.

13          Q.    Why does the well need to be located on this  
14   particular location?

15          A.    Well, it centers on the target area, which is  
16   fairly small, which just happens to be bisected by the  
17   section line.  It's really -- We have very few options in  
18   this particular case as to where to drill a well.

19          Q.    How soon do you plan to drill the initial test  
20   well?

21          A.    The well is expected to be spudded in mid-  
22   January.

23          Q.    Do you have a rig scheduled for that period of  
24   time?

25          A.    We do.

1 Q. Are there rig-scheduling problems in that area?

2 A. There are.

3 Q. If you don't meet that drilling date, will you  
4 have trouble scheduling another drilling rig?

5 A. Yeah, we would be delayed at least six months, if  
6 not longer.

7 Q. Do you request that the order in this case be  
8 expedited?

9 A. Yes, we do.

10 Q. In your opinion, will approval of these  
11 Applications be in the best interests of conservation, the  
12 prevention of waste and the protection of correlative  
13 rights?

14 A. Yes, they will.

15 Q. Was Paladin's Exhibit Number 5 prepared by you or  
16 under your direction and supervision?

17 A. It was.

18 MR. OWEN: Mr. Examiner, I tender Paladin Exhibit  
19 Number 5.

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

22 MR. OWEN: That's all I have for this witness.

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. Mr. Bahlburg, does Paladin operate the Reed

1 Number 2?

2 A. Yes, sir, it does.

3 Q. Okay.

4 A. They operate all the wells shown on Exhibit 2  
5 within the yellow area.

6 Q. Okay. If there's potential Wolfcamp production  
7 at that location, why do you limit the unit agreement to  
8 just the Devonian at this time?

9 A. Well, quite frankly, the premise for the  
10 unorthodox location is Devonian, is the Devonian structure.  
11 And while this map on Exhibit Number 2 doesn't show it, the  
12 Reed Number 2 and the State "C" Number 2 immediately north  
13 of the unit have also produced from the Wolfcamp. And to  
14 be honest with you, the Wolfcamp is going to be severely  
15 depleted at that location, but it is a field pay zone, and  
16 it will probably have some kind of secondary production  
17 potential at that location. And we don't really have a  
18 reason for choosing the unorthodox location relative to the  
19 Wolfcamp formation.

20 So what we're doing is, we're seeking approval  
21 for the Devonian because we have a reason for drilling the  
22 well at that unorthodox location, and then we expect years  
23 later, at some point in time, to come back to the  
24 Commission and seek approval to come up the hole if that's  
25 what we, you know, want to do to produce that shallower

1 horizon.

2 Q. Well, would that Wolfcamp be -- Wolfcamp  
3 production at that time be shared between these tracts, or  
4 would it be just dedicated to one tract?

5 A. That's what we would propose.

6 Q. What?

7 A. To share the production between the tracts  
8 because of the well location.

9 Q. Okay.

10 A. I mean, that would be the equitable thing to do.

11 Q. Well, again, why do you limit the unit agreement  
12 to the Devonian formation?

13 A. Well, the real reason is, in addition to what I  
14 said, is that we've got two wells that are currently  
15 producing from the Wolfcamp formation, and each of those  
16 wells has a designated proration unit of 40 acres. And we  
17 have a very slight difference in working interest ownership  
18 between those two wells.

19 And the working interest owners at this time  
20 don't want to take the current Wolfcamp production and  
21 throw it into the pot and split it up, because of the  
22 slight differences in working interest ownership. However,  
23 they are willing to essentially communitize the acreage  
24 with regard to the working interest to drill the new well  
25 at the unorthodox location.

1           So quite frankly, it will just become a point in  
2 time where these two wells, the Reed 5 and State "C" 1,  
3 which are currently producing from the Wolfcamp, they get  
4 down to a point where the differences in working interests  
5 between the two tracts becomes virtually nonessential or  
6 unimportant, and then they'll probably agree to communitize  
7 the working interests.

8           But we would certainly, I believe, file  
9 application to share the production between the two tracts  
10 because of the well location.

11          Q.   And then the unit agreement, maybe, at that time?

12          A.   Correct.

13          Q.   Okay. You don't anticipate that being for a  
14 while?

15          A.   Hopefully not for a long time.

16          Q.   Okay. How do you guys propose to keep that well,  
17 the bottomhole location of that well on the lease that  
18 you're drilling on?

19          A.   We're going to monitor the inclination with  
20 single-shot surveys, and if the well starts to deviate too  
21 far in one direction we'll take corrective action with a  
22 downhole motor.

23          Q.   Okay.

24          A.   And that's been factored into the estimated cost  
25 to drill the well.

1 Q. So you do intend on keeping that on Tract 1?

2 A. If that's what we have to do, we will. I mean,  
3 if we have the option of letting it drift slightly we would  
4 probably do that, just to save expense. But we could  
5 certainly keep it on Tract 1.

6 Q. Is that -- That's the 40 that you're going to  
7 officially dedicate to the well, is Tract 1?

8 A. That's correct, we've got to dedicate one 40 or  
9 the other.

10 Q. Did you use the 3-D seismic to plot the location  
11 of all these faults in this area?

12 A. Yes, I did. It's an excellent data set, and it's  
13 on a 110-foot bin or grid, and the faults are, frankly,  
14 quite clearly identified in there.

15 Q. So is it your opinion that this particular fault  
16 block has not been drained by a well?

17 A. Yes, it is.

18 Q. Oh, it has?

19 A. No, it's my opinion that it has not been  
20 drained --

21 Q. Has not --

22 A. -- that's correct.

23 Q. -- okay.

24 A. The only other well that's on this particular  
25 fault block is the State "C" 1 down to the southeast of the

1 location, and that was a 250-foot open hole that was  
2 abandoned years ago due to water encroachment.

3 So we really -- If we do have isolation across  
4 the fault boundaries at depth, we expect to encounter  
5 possibly as much as 300 feet of oil column.

6 Q. The location that you've chosen is slightly  
7 unorthodox in the north-south direction. Why do you move  
8 that, keep it north?

9 A. Well, because of the structure map. We wanted to  
10 drill on the top of the feature.

11 If we move it to the south, we're going to be  
12 coming off the top and we'll lose subsurface structure. So  
13 we're just trying to take advantage of the information that  
14 we have.

15 Q. Okay. Do you have an estimate on what reserves  
16 you might recover at that location?

17 A. At one point we had a reserve estimate prepared  
18 by Netherland and Sewell that gave the well approximately  
19 300,000 barrels. We think it has at least that potential,  
20 if not more.

21 EXAMINER CATANACH: I have nothing further of  
22 this witness, Mr. Owen.

23 MR. OWEN: That concludes my presentation in this  
24 case, Mr. Examiner.

25 EXAMINER CATANACH: If you guys get preliminary



1 approval from the Land Office, can you forward a copy of  
2 that?

3 MR. OWEN: As soon as I receive it.

4 EXAMINER CATANACH: Okay. There being nothing  
5 further in these cases, Case 11,870 and 11,871 will be  
6 taken under advisement.

7 (Thereupon, these proceedings were concluded at  
8 8:45 a.m.)

9 \* \* \*

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14  
15 I do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
the Examiner hearing of Case No. 11870 11871  
heard by me on November 6 1997.

17 David R. Catnach, Examiner  
18 Oil Conservation Division  
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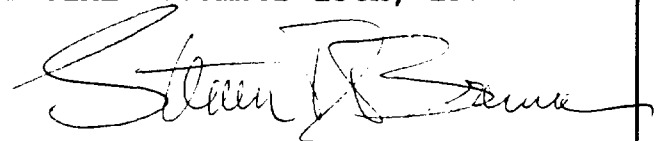
## CERTIFICATE OF REPORTER

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 November 15th, 1997.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1998