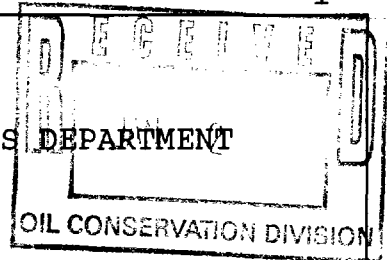


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 11,903

APPLICATION OF NEARBURG PRODUCING)
COMPANY FOR AN UNORTHODOX GAS WELL)
LOCATION, EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 8th, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 8th, 1998, 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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January 8th, 1998
Examiner Hearing
CASE NO. 11,903

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A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 8:22 a.m.:

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8 EXAMINER CATANACH: At this time we'll call Case
9 11,903.

10 MR. CARROLL: Application of Nearburg Producing
11 Company for an unorthodox gas well location, Eddy County,
12 New Mexico.

13 EXAMINER CATANACH: Call for appearances.

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

18 EXAMINER CATANACH: Any additional appearances.
19 Swear in the witnesses, Mr. Carroll.

20 (Thereupon, the witnesses were sworn.)

21 MR. KELLAHIN: Mr. Examiner, I have two witnesses
22 this morning, Mr. Mike Gray and Mr. Jerry Elger.

23 Mr. Gray is the first witness. He is a petroleum
24 landman and he's going to present the land information
25 concerning the unorthodox well location.

1 MICHAEL M. GRAY,
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q. For the record, sir, would you please state your
7 name and occupation?

8 A. Michael M. Gray. I'm a landman for Nearburg
9 Producing and Nearburg Exploration Company.

10 Q. On prior occasions have you testified before the
11 Division and qualified as an expert petroleum landman?

12 A. Yes.

13 Q. Pursuant to your employment by Nearburg, have you
14 made an investigation of the offset operators towards whom
15 this well encroaches?

16 A. Yes, I have.

17 MR. KELLAHIN: We tender Mr. Gray as an expert
18 witness.

19 EXAMINER CATANACH: Mr. Gray is so qualified.

20 Q. (By Mr. Kellahin) Mr. Gray, if you'll turn to
21 what is marked as Exhibit 1, let's orient the Examiner as
22 to where we are.

23 A. This Exhibit 1 represents the 320-acre proposed
24 unit in the south half of Section 33, 19 South, 25 East,
25 with the location of the subject well at 800 feet from the

1 west line and 1800 feet from the south line of that
2 section. It's a land map showing the surrounding tracts.

3 Q. All right. Let's look more specifically at the
4 immediate area and have you direct your attention to
5 Exhibit Number 2. On this exhibit you have outlined two
6 sections, have you not?

7 A. Yes, sir.

8 Q. When we look at Section 33 and the spacing unit
9 you're proposing, it's the south half of this section?

10 A. That's correct.

11 Q. The ownership of that section in terms of working
12 interest ownership is Nearburg Exploration Company?

13 A. Yes, sir.

14 Q. And Nearburg Producing Company is the operating
15 entity for your two companies?

16 A. That's correct.

17 Q. When we look at the north half of Section 33 --

18 A. Yes.

19 Q. -- is that currently committed to a spacing unit?

20 A. The north half of Section 33 is committed to a
21 Cisco/Canyon spacing unit in the -- both in the -- I
22 believe both in the northwest quarter and the northeast
23 quarter.

24 The well marked in Section 33 with a gas well
25 symbol was a well recently drilled by Mewbourne Oil Company

1 with an unorthodox Morrow order for that location. The
2 well was drilled to the Morrow and -- however was not
3 completed in the Morrow. It was completed in the
4 Cisco/Canyon.

5 Q. At this point, though, the north-half spacing
6 unit for a Morrow well has not been released so that you
7 could reorient your spacing unit?

8 A. That's correct.

9 Q. All right. When we look in Section 32, you've
10 divided Section 32 into north half, south half. In the
11 south half of that section, who controls the spacing unit?

12 A. Nearburg does?

13 Q. The encroachment, then, of your location is
14 towards the diagonal offset, and that is a spacing unit
15 that is shared between Yates and UMC Petroleum?

16 A. That's correct.

17 Q. What has happened in Section 32 concerning Morrow
18 wells?

19 A. The well marked as a plugged gas well in the
20 south half of Section 32 was a Morrow producer, which has
21 been plugged. The wells marked in the north half of
22 Section 32 as dry holes were all wells that were drilled to
23 the Morrow and were plugged and abandoned as dry holes.

24 Q. Let's talk about your Dorami well in the south
25 half of 33. It was originally permitted as what type of

1 well?

2 A. It was originally permitted as a Cisco/Canyon
3 well.

4 Q. And this Cisco/Canyon is in North Dagger Draw, is
5 it not?

6 A. That's correct.

7 Q. And the proper spacing unit in that pool would be
8 a quarter section?

9 A. That's 160 acres, yes, sir.

10 Q. All right. Was your company able to successfully
11 complete the well in the Cisco/Canyon?

12 A. The well was drilled to the Cisco/Canyon and
13 determined to be noncommercial for a completion in the
14 Cisco/Canyon.

15 Q. What then did you do?

16 A. Then we applied to the BLM by sundry notice to
17 deepen the well to the Morrow, and that approval was
18 granted.

19 Q. All right, let's turn to Exhibit 3 and have you
20 identify for the record your BLM approval to deepen the
21 drilling well.

22 A. Yes, sir, that's -- Exhibit Number 3 is a sundry
23 notice which was approved by the BLM on January 2nd, 1998.

24 Q. All right, sir. And the well was drilled, then,
25 to the Morrow?

1 A. Yes, sir.

2 Q. And what's the current status of the wellbore?

3 A. Right now the well is shut in -- or actually it's
4 not shut in; it has pipe set through the Morrow, awaiting
5 completion.

6 Q. All right, it's been drilled through the Morrow,
7 it's been cased, it's untested in the Morrow, it has not
8 been completed, and we're waiting approval of the Division
9 to proceed with the well?

10 A. That's correct.

11 Q. Let's turn to Exhibit Number 4 and have you
12 identify and describe that display.

13 A. Exhibit Number 4 is a letter addressed to UMC
14 Petroleum Corporation, who is one of the diagonal offset
15 owners upon which we are encroaching, and it's a letter
16 waiving objections to this Application.

17 Q. All right. And the only other party notified was
18 Yates Petroleum, and they have not entered any objection?

19 A. That's correct.

20 Q. If you'll identify Exhibit 11, which is on your
21 left here, it's our certificate of notification, and it
22 notifies Yates and UMC of this hearing. Are there any
23 other parties to whom notice is required?

24 A. No, sir.

25 MR. KELLAHIN: That concludes my examination of

1 Mr. Gray. We move the introduction of the exhibits he's
2 sponsored, which are 1 through 4 plus 11.

3 EXAMINER CATANACH: Exhibits 1 through 4 plus 11
4 will be admitted as evidence.

5 EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Mr. Gray, all the wells in Section 32 are
8 currently plugged?

9 A. No, Mr. Elger will speak to that more clearly.
10 These are the wells that were drilled to the Morrow
11 formation, were all -- I believe all of them were plugged
12 as dry holes.

13 Q. Okay, they were never produced?

14 A. No, sir, I don't think so.

15 Q. Okay. And the well in the north half of Section
16 33, that was tested in the Morrow?

17 A. That was a well -- Again, Mr. Elger can speak to
18 the operations of that well more -- much better than I can.
19 But the well was permitted by Mewbourne Oil Company as a
20 Morrow well at an unorthodox location for the north half of
21 Section 33 and was drilled to the Morrow, has apparent pay
22 in the Morrow, but the operator elected to complete in the
23 Cisco/Canyon instead of the Morrow.

24 Q. Is Nearburg a participant in that north half?

25 A. Yes, sir, we have an interest in that well.

1 Q. But you can't orient your spacing unit to be a
2 west-half dedication?

3 A. I don't think so. The -- Honestly, we haven't
4 discussed it with Mewbourne, sir. Assuming they were
5 intent on the north half of Section 33.

6 Q. Okay. Do you know whether or not the interest
7 ownership within the south half of Section 32 and 33 is
8 common?

9 A. The interest ownership in the south half of
10 Section 33 is Nearburg Exploration Company and certain
11 internal investors. The interest in the south half of
12 Section 32 is Nearburg Exploration Company, with those same
13 investors having the option to participate in that acreage
14 upon the drilling of the well.

15 Q. Are those both federal leases?

16 A. Yes, sir.

17 Q. It's not the same lease, it's --

18 A. No, it's not the same lease. Yes, they are
19 federal leases, excuse me.

20 Q. You've not spoken to Yates at all about your
21 Application?

22 A. Yes, we have. We sent a letter to Yates
23 requesting a waiver letter, which we never got a response
24 to.

25 Q. And at this point you don't know whether your

1 well is going to be a productive well? It's not been
2 tested?

3 A. It has not been tested.

4 Q. Okay. Do you know if that was a standard
5 location for Cisco/Canyon?

6 A. Yes, sir, it was.

7 EXAMINER CATANACH: It was, okay.

8 That's all I have of this witness, Mr. Kellahin.

9 MR. KELLAHIN: Mr. Examiner, Jerry Elger is a
10 petroleum geologist. He is the next witness in the case.

11 JERRY B. ELGER,

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

14 DIRECT EXAMINATION

15 BY MR. KELLAHIN:

16 Q. Mr. Elger, for the record, sir, would you please
17 state your name and occupation?

18 A. My name is Jerry Elger and I'm the exploration
19 geologist for Nearburg Producing Company.

20 Q. On prior occasions have you testified as a
21 petroleum expert in geology before the Oil Conservation
22 Division?

23 A. Yes, I have.

24 Q. And does this geologic work product we're about
25 to examine and the displays we're about to introduce

1 represent your work?

2 A. Yes, it does.

3 Q. And the opinions expressed are to be your
4 opinions?

5 A. Yes.

6 MR. KELLAHIN: We tender Mr. Elger as an expert
7 petroleum geologist.

8 EXAMINER CATANACH: He is so qualified.

9 Q. (By Mr. Kellahin) Sir, let me have you turn to
10 Exhibit Number 5. The Dorami well was, in association with
11 others, an interpretation that Nearburg had, and I would
12 like to focus on the Nearburg interpretation of the Cisco
13 before the well was drilled. And to do so, let's turn to
14 Exhibit 5 and have you identify this display.

15 A. Exhibit 5 is a seismic and subsurface structure
16 map on top of the Canyon Bank. You'll notice a dashed line
17 that encompasses all of Section 33, the east half of
18 Section 34, the east half of 32, the west half of 34, and
19 then several other areas in here, and it's been marked on
20 this display as a 3-D outline.

21 Q. When we look at the dolomite, that is the
22 nonproductive portion of the Cisco/Canyon, is it not?

23 A. The dolomite is the productive portion of the
24 Cisco/Canyon --

25 Q. All right.

1 A. -- and the limestone section is the
2 nonproductive.

3 Q. All right. So the idea is to try to locate
4 yourself in North Dagger Draw so that you maximize the
5 opportunity to intersect the dolomite productive interval?

6 A. That's correct.

7 Q. Help the Examiner know where he is in North
8 Dagger Draw. Can you illustrate where we are with this
9 display?

10 A. We're very close to the southernmost boundary of
11 where the dolomite reservoir in the A-zone portion of the
12 Canyon turns -- or has a facies change from -- or lithology
13 change from dolomite to limestone.

14 On this particular display, wells that are
15 productive in the dolomite member of the A zone have been
16 shaded in pink, and wells that have encountered an A-zone
17 section that is nonreservoir limestone have been shaded
18 blue.

19 Q. As we move to the west of this map, North Dagger
20 Draw moves to the south and curves down to the south and
21 the west and then moves into South Dagger Draw?

22 A. That's correct.

23 Q. In this particular area, then, for Section 33,
24 what were you attempting to do with the Dorami well in the
25 southwest quarter of 33?

1 A. Again, the 3-D program that Nearburg shot out
2 here, the outline of which is on this map, is one of four
3 3-D shoots that Nearburg did in this particular area to
4 help us define potential extensions to the Dagger Draw
5 North/Upper Penn Pool, as well as help us in our
6 development program.

7 And this interpretation, where the limit of the
8 A-zone dolomite is defined by both the well control and the
9 utilization of that geophysics, extends down into the
10 southwest quarter of Section 33 and includes where Nearburg
11 drilled our Dorami well.

12 Q. Let's look at the structural cross-section, the
13 A-A' that's displayed on 5, by turning your attention to
14 Exhibit 6. Again, this is an exhibit that is prepared
15 prior to having the information from the Dorami well?

16 A. That is correct.

17 Q. All right, let's look at your interpretation
18 prior to the well.

19 A. This cross-section is a structural cross-section.
20 It includes a well to the northwest of where we drilled the
21 Dorami well, it includes a producer where the dolomite
22 section is present in the A zone. This particular well was
23 drilled by Conoco in the northeast-northeast of Section 32.

24 And the cross-section extends down across --
25 through the proposed location, down to a well drilled in

1 the northeast of Section 4, which is an old Morrow depth
2 test, and that particular well, the A-zone member of the
3 Canyon was entirely a lime section, and that particular
4 well was a dry hole.

5 The geophysical interpretation, again, was that
6 we would probably thin but still have A-zone dolomite
7 present at our proposed location in the southwest of 33.

8 Q. The seismic data is being utilized not to define
9 structure but to give you some data based upon reflections
10 as to where you might find the dolomite versus the
11 limestone?

12 A. That's correct.

13 Q. All right. You've drilled the well. Let's look
14 at the log of the well -- it's Exhibit 7 -- and let's see
15 what happens. It's the small, little log section.

16 A. If you unfold this log and just kind of overlay
17 it on this cross-section where the proposed location was
18 drilled, it's all been color-coded so that you can see how
19 the A-zone section of the dolomite -- or the A-zone section
20 of the Canyon, was present, there was some dolomite present
21 in the A-zone portion of the Canyon.

22 We proceeded to run a drill stem test across all
23 of that dolomite section. The results of that drill stem
24 test are annotated at the bottom of this log. Basically,
25 we recovered 5.5 barrels of gasket drilling mud with one

1 foot of free oil. And the pressures and surface reaction
2 indicated that the dolomite is nonreservoir quality at this
3 particular location.

4 So we would have plugged this well.

5 Q. Instead of plugging the well, what then did you
6 decide to do?

7 A. We decided at that point in time -- the rig was
8 still on the well -- instead of having -- incurring the
9 expense of moving the rig away and going on with the
10 hearing, we -- again, as Mike Gray testified, we notified
11 the BLM that we would deepen this well and look at the
12 Morrow.

13 Q. All right. And you did so, and what's the
14 current status of the well now?

15 A. As Mr. Gray testified, we drilled the well to the
16 Morrow, we ran electric logs, and we ran a production
17 string, and the well is currently waiting on completion.

18 Q. All right. What is Nearburg's strategy for
19 Morrow completions in terms of why you have not selected
20 this wellbore for any testing or completion in the Morrow?

21 A. Well, we feel that because of the nature of the
22 Morrow, because of the clays that are present within the
23 sands, we like, immediately upon completing the well and
24 getting the well to clean up, to be able to turn the well
25 into the sales line, without having to shut the well in for

1 an extended period of time.

2 We think we've got -- We've seen a history of
3 that occurring in this portion of the Basin where it can
4 potentially lead to damage.

5 Q. All right, the risk is if you were to test the
6 well and then shut it in awaiting approval, you might
7 damage your ability to produce the well at the level you
8 originally tested the well?

9 A. That's correct.

10 Q. Let's look, now, at your interpretation of the
11 Morrow in Exhibit 8, and this was your interpretation prior
12 to drilling the Dorami well?

13 A. That's correct.

14 Q. Describe for us what you have concluded.

15 A. This map is a net sand isopach map of the Morrow
16 channel that I've interpreted extending across Section 28,
17 33 and a portion of 32 and down into 5 and 6.

18 There's quite a bit of well control out here that
19 defines where this trend occurs, and we have the benefit of
20 the Morrow logs on the recent Mewbourne well in the
21 northwest quarter of Section 33.

22 We also knew that this particular sand interval
23 was productive in the well in the south half of 32 and in
24 the wells in Section 5. Although, when we look at the
25 cross-section which has the production history of the well

1 in the south half of 32 we'll see it's not a great well,
2 but we felt like at the time it was definitely a salvage
3 zone, worth drilling the interval, the incremental
4 interval, from the base of the Canyon to look at this
5 particular zone. So...

6 Q. The Dorami well, then, never was intended to be a
7 Morrow well?

8 A. No, that's correct.

9 Q. And you deepened it in order to attempt to
10 salvage what may be Morrow production and to recover some
11 of the cost expended on the wellbore?

12 A. That's correct.

13 Q. The activity in the north half of 32, summarize
14 for us what's happened in terms of that spacing unit's
15 ability to drill and produce Morrow gas.

16 A. Well, as you can see on this display, there's
17 three dry holes in the Morrow in the north half of Section
18 32.

19 The two wells that are more or less centrally
20 located in that half section are older wells drilled in the
21 1970s that basically didn't have sand quality in any
22 intervals in the Morrow and were plugged.

23 The well in the northeast northeast of 32 was a
24 more recent well drilled by Conoco, and their primary
25 objective was the Cisco/Canyon, which they drilled at a

1 legal location -- I believe the footage was 660 from the
2 north and east of Section 32. And when they got to the
3 base of the Canyon they directionally drilled the well to a
4 more orthodox location where you see the dryhole symbol.

5 When this occurred, they attempted to production
6 test -- or they production-tested the Morrow and concluded
7 that it was not commercial or dry hole, and they plugged
8 back to produce the well from the Cisco/Canyon.

9 Q. You've used an 8-percent porosity cutoff on your
10 isopach. Why have you chosen 8 percent?

11 A. That seems to be the industry standard for pay
12 sections in the Morrow in this portion of Eddy County.

13 Q. Okay. Your forecast at the time this was done
14 demonstrated your estimate that you would have something
15 less than 10 feet of this middle Morrow net sand at the
16 Dorami location?

17 A. That's correct.

18 Q. All right. Let's turn to the cross-section,
19 B-B', which is Exhibit 9, and let's see what the cross-
20 section looks like.

21 A. The cross-section is a stratigraphic cross-
22 section, the datum being the top of the Morrow clastics.
23 The well on the left-hand side is a log section of the
24 recent Mewbourne well that was drilled immediately north of
25 our Dorami well in the northeast -- northwest quarter of

1 Section 33. Again, there were no tests conducted within
2 the Morrow in this particular well.

3 Q. But it looks like it has potential, though,
4 doesn't it?

5 A. The log section indicates there's about six or
6 seven feet of potential pay that -- where the porosity is
7 greater than 8 percent, and we think the well will probably
8 be capable of making some sort of a completion.

9 Q. At this point, Mewbourne's strategy has been to
10 leave the Morrow potential behind pipe and go up and test
11 and produce the Cisco?

12 A. This particular well had much greater potential
13 in the Pennsylvanian/Canyon section. Therefore, they opted
14 to, instead of completing this well as a Morrow and
15 perhaps, without the benefit of any testing, making a
16 marginal Morrow well, they opted to go up to the much -- to
17 the more economic Canyon section, with the idea of later on
18 completing this well in the Morrow section.

19 Q. Is it your recommendation that the north half,
20 then, remain available as a potential Morrow spacing unit
21 for the Mewbourne well?

22 A. Yes, it is.

23 Q. Let's see what happens when we look at Exhibit 10
24 and look at the Dorami log section in the Morrow and
25 integrate it into your cross-section. If you'll turn to

1 Exhibit 10 for me, Mr. Elger, let's have you identify and
2 describe that.

3 A. Exhibit 10 is the Morrow log section of our
4 Dorami well after we drilled this particular -- logged this
5 well, as a south offset to the Mewbourne well.

6 You'll notice back on Exhibit 9 that there was a
7 productive well from this middle Morrow pay interval in the
8 south half of Section 32. That well was completed with
9 perforations shown across -- spanning across the 9300-foot
10 interval there. This particular well had 39 feet of Morrow
11 sand, but only about seven feet of it or so crossplots
12 greater than 8 percent.

13 That well is now abandoned and has -- it cum'd a
14 total of about -- approximately a third of a BCF before it
15 was abandoned, which is not -- would not be commercial to
16 drill for exclusively for the Morrow.

17 But as a second -- Again, as a secondary
18 objective, it's worth -- the economics justify drilling
19 from the base of the Canyon to look at those types of
20 reserves.

21 Q. Let's look at Exhibit 10 and have you calculate
22 for us the net thickness in this middle Morrow using an 8-
23 percent porosity cutoff.

24 A. Exhibit 10, again, is our log section. It's
25 colorized to match the cross-section. You can overlay it

1 on the cross-section. The middle Morrow isopach interval
2 has been labeled on this particular log.

3 This particular well has approximately 30-some
4 feet of gross Morrow sand, but when you look at the 8-
5 percent line and the crossplot porosity there's
6 approximately 10 or 12 to -- 12 feet of net sand pay within
7 this middle Morrow interval.

8 So we were slightly thicker than what we had
9 predicted, based on the -- back on Exhibit 8, the net sand
10 isopach map.

11 Q. Okay. Do you have an opinion as to whether or
12 not the approval of this Application for an unorthodox
13 location to be produced without a penalty is appropriate
14 and fair and would protect correlative rights?

15 A. Yes.

16 Q. And what is that opinion?

17 A. That it should be allowed to produce without a
18 penalty.

19 Q. All right. Do you see any unfair advantage that
20 you're gaining over any of the offset operators or interest
21 owners?

22 A. No, I don't.

23 Q. The opportunity to complete this well in the
24 Morrow would provide you a means to recover some of the
25 costs of this wellbore?

1 | A. That's correct.

2 Q. Were Exhibits 5 through 10 prepared by you, Mr.
3 Elger?

4 | A. Yes, they were.

5 MR. KELLAHIN: We move the introduction of Mr.
6 Elger's Exhibits 5 through 10.

7 EXAMINER CATANACH: Exhibits 5 through 10 will be
8 admitted as evidence.

9 MR. KELLAHIN: And that concludes my examination.

10	EXAMINATION
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11 BY EXAMINER CATANACH:

12 Q. Mr. Elger, the wells in Section 5, what is the
13 status of those wells?

14 A. I believe those wells are also inactive at this
15 time. I believe that for the most part they've been
16 plugged. I would have to double check that with my records
17 back in Midland, but that's my recollection.

18 Q. Do you know if those wells did produce from the
19 Morrow?

20 A. Yes, they did. All Morrow producers on this
21 display have been shaded orange.

22 But that -- they may have produced -- There are
23 other sand intervals other than the middle Morrow B that
24 are productive in this particular area, and those wells, I
25 believe, perforated the middle Morrow B sands that were

1 present, as well as several other sands that were developed
2 in those locations.

3 Q. So at your location, is the only potential in the
4 Morrow the middle Morrow?

5 A. That's correct.

6 Q. Okay. And I believe you testified the well in
7 the south half of 32 -- Is that the one that produced a
8 third of a BCF?

9 A. That's correct. And that well is on Exhibit 9,
10 the cross-section display. It was drilled by Monsanto
11 Company's Albert Fed Com Number 1.

12 Q. It's not likely that there's going to be any more
13 wells in Section 32 or Section 5, do you believe, to test
14 the Morrow?

15 A. Very un- -- Well, in Section 33, no, I would say
16 not.

17 I really can't address Section 5 at this time. I
18 know that Mewbourne has a proposal -- I believe they're
19 even on the docket -- to drill a Canyon test in Section 5
20 -- two Canyon tests in Section 5.

21 Q. What about Section 32 in that southeast quarter?
22 Is there a potential there for...

23 A. I would say at this time that would be predicated
24 on the results of the completion of our Dorami well, as
25 well as possibly the results of the completion of the

1 Mewbourne well.

2 Q. So Exhibit Number 8, your interpretation of the
3 Morrow, this isn't your current interpretation --

4 A. No, that --

5 Q. -- because it's changed?

6 A. It's changed, to some degree, because the net
7 sand values at our location were slightly thicker than what
8 is shown on this presentation.

9 Again, the presentation shows a net sand
10 thickness of approximately nine feet where we drilled, and
11 the actual results were 12 to 13 feet.

12 Q. When you guys originally drilled this well, did
13 you have plans at that time to take it to the Morrow?

14 A. No, we did not.

15 Again, the Exhibit 5, which is the seismic
16 interpretation, which was again based on the
17 3-D shoot, that in conjunction with the results that
18 Mewbourne saw in their recent well their State B Com 4 well
19 in the northwest of 33, we concluded that we had a very
20 strong likelihood of making a Canyon completion at our
21 proposed location, and that was the primary target.

22 Q. So that location was chosen primarily for a
23 Cisco/Canyon?

24 A. That's correct.

25 Q. No consideration was given to a possible Morrow

1 test?

2 A. (Shakes head)

3 EXAMINER CATANACH: I don't have anything
4 further, Mr. Kellahin.

5 MR. KELLAHIN: All right, sir. Thank you.

6 EXAMINER CATANACH: Do you have anything further
7 in this case?

8 MR. KELLAHIN: No, sir.

9 EXAMINER CATANACH: All right, there being
10 nothing further in this case, Case 11,903 will be taken
11 under advisement.

12 (Thereupon, these proceedings were concluded at
13 8:55 a.m.)

14 * * *

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19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 11903.
23 heard by me on 1/18/81 1981.
24 David R. Catanch, Examiner
25 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 January 9th, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998