

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 SABA ENERGY OF TEXAS,)
INCORPORATED, FOR POOL CREATION AND)
SPECIAL POOL RULES, LEA COUNTY,)
NEW MEXICO)

CASE NO. 11,986

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

June 11th, 1998

Santa Fe, New Mexico

98 JUN 25 AM 8:49
OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, June 11th, 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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June 11th, 1998
 Examiner Hearing
 CASE NO. 11,986

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:55 a.m.:

3 EXAMINER STOGNER: Hearing will come to order.

4 At this time I will call Case Number 11,986.

5 MR. CARROLL: Application of Saba Energy of
6 Texas, Incorporated, for pool creation and special pool
7 rules, Lea County, New Mexico.

8 EXAMINER STOGNER: Call for appearances.

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 Saba Energy of Texas, in
12 this matter, and I have one witness.

13 EXAMINER STOGNER: It don't look like there's any
14 other appearances.

15 Will the witness please stand to be sworn?

16 (Thereupon, the witness was sworn.)

17 STEVE R. BALDWIN,
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. Steve R. Baldwin.

24 Q. And where do you reside?

25 A. Edmond, Oklahoma.

1 Q. Mr. Baldwin, by whom are you employed?

2 A. Saba Energy of Texas.

3 Q. And what is your current position with Saba
4 Energy?

5 A. The senior operations engineer.

6 Q. Have you previously testified before the New
7 Mexico Oil Conservation Division?

8 A. No.

9 Q. Would you briefly summarize for Mr. Stogner your
10 educational background?

11 A. Yes, I graduated with a BS in petroleum
12 engineering in 1977 from the University of Oklahoma. Upon
13 graduation I worked for Mobil Oil Corporation for five
14 years as a reservoir and operations engineer. I then went
15 to work for Samedan -- that's S-a-m-e-d-a-n -- Oil
16 Corporation as their reservoir engineer. I worked with
17 them for five years. I then went to work for Merrico --
18 M-e-r-r-i-c-o -- Oil Corporation, worked there for eight
19 years as their district drilling and operations engineer.

20 And for the last two years I've been with Saba
21 Energy as their senior operations engineer.

22 Q. And you are responsible for the geographic area
23 that's the subject of this case; is that correct?

24 A. Yes, I am.

25 Q. Have you made a technical study of the area which

1 is the subject of this Application?

2 A. Yes.

3 Q. Are you prepared to share the results of that
4 study with the Examiner?

5 A. Yes, I am.

6 MR. CARR: May it please the Examiner, we would
7 tender Mr. Baldwin as an expert witness in petroleum
8 engineering.

9 EXAMINER STOGNER: Mr. Baldwin is so qualified.

10 Q. (By Mr. Carr) Mr. Baldwin, would you initially
11 summarize for Mr. Stogner what it is that Saba Energy seeks
12 with this Application?

13 A. Yes, Saba Energy would like the creation of a new
14 pool for production from the upper Pennsylvanian formation
15 as a result of the discovery of hydrocarbons in the Saba
16 State Well Number 1, located at an unorthodox location 2310
17 feet from the south line and 1308 feet from the east line
18 in Unit 1 of Section 7, 13 South, 36 East, of Lea County,
19 New Mexico.

20 Q. And that's Unit I?

21 A. Unit -- Yes.

22 Q. Okay.

23 A. And we'd also like to obtain special pool rules
24 and regulations for provisions for 80-acre spacing.

25 Q. Now, Mr. Baldwin, the Saba State Number 1 well is

1 at an unorthodox location; is that correct?

2 A. Yes.

3 Q. Has that previously been approved by the
4 Division?

5 A. Yes, Division Order Number NSL-3744, dated
6 December 18th, 1996.

7 Q. Saba is also seeking special well-location
8 requirements which would authorize wells to be located no
9 closer than 330 feet to the boundary of a governmental
10 quarter-quarter section line. Why is that?

11 A. We believe that would provide maximum flexibility
12 to the operators in developing this pool, and also the
13 current two wells that we have drilled are on 330 feet.

14 Q. So the current wells are 330 setbacks?

15 A. Yes.

16 Q. What rules currently govern the development of
17 this area?

18 A. The statewide rules, which provide for 40-acre
19 spacing and 330-foot setbacks.

20 Q. And those are the rules that were applicable to
21 the wells when they were actually drilled; is that right?

22 A. Yes.

23 Q. You've prepared exhibits for presentation here
24 today?

25 A. Yes, I have.

1 Q. Would you refer to what has been marked for
2 identification as Saba Energy Exhibit Number 1, identify
3 this and review the information on the exhibit for the
4 Examiner?

5 A. Yes, Exhibit Number 1 is a plat that shows the
6 area. It has our well spotted with a red box, which is our
7 proposed 80-acre standup locations that we're trying to
8 obtain. It also has spotted all the other wells that were
9 drilled or dryholed in the area, and also the yellow
10 outline shows the approximately 2300 acres that Saba Energy
11 currently has leased.

12 Q. If we look at this exhibit, the proposed new pool
13 boundary would be the acreage included in the two proration
14 units outlined with the red boxes; is that correct?

15 A. Yes.

16 Q. And it shows the locations of the Saba Energy
17 Harton State Number 1, the northern well, and also the
18 southern well, the Saba Energy State Number 1; is that
19 right?

20 A. Yes.

21 Q. Are these the only two wells at this time that
22 would be completed in this new upper Pennsylvanian
23 reservoir?

24 A. Yes.

25 Q. Do you have plans if this Application is, in

1 fact, approved to drill additional wells into this new
2 reservoir?

3 A. Yes, we have plans within the next couple months
4 to drill a well in Section 8 and one in Section 5.

5 Q. Okay. And these would be to test the upper
6 Pennsylvanian?

7 A. Yes.

8 Q. The two wells that are currently in the proposed
9 pool, are they producing, in fact, at commercial rates?

10 A. Yes, they are.

11 Q. When were they drilled?

12 A. The first well was the Saba State, and it was
13 initially drilled as a Devonian -- Let me back up.

14 This area -- We purchased this area from a 3-D
15 seismic shoot, and our primary objective at that point, of
16 the 3-D shoot, was the 14,000 foot Devonian dolomite
17 formation. We drilled the Saba State Number 1-7 in
18 December of 1996 and drilled it to 14,000 feet, to the
19 Devonian. We produced the Devonian formation for eight
20 months. It cum'd 20,000 barrels of oil, and then the ocean
21 hit and essentially watered the well out. And while
22 drilling the first well we had shows and tested the upper
23 Penn section.

24 And so from the watering out of the Devonian well
25 formation we came back up the hole in January of this year,

1 1998, and recompleted the Saba State well into the Cisco
2 Upper Penn formation.

3 Subsequently, we -- The Harton State was a
4 washdown from an old plugged Wolfcamp well that we re-
5 entered and redrilled, on down to the upper Pennsylvanian,
6 and we recompleted that into the Canyon zones in November
7 of 1997.

8 Q. Is the Wolfcamp also a potential objective in
9 these wells?

10 A. Yes, it is a secondary objective of ours.

11 Q. Are there other secondary objectives?

12 A. No.

13 Q. If we look at Exhibit Number 1, you've shown the
14 initial potential on this exhibit?

15 A. Yes, in the little blue box, the Saba State well
16 came in -- the Cisco completed at an IP of 348 barrels of
17 oil and 450 MCF per day. The well today is currently
18 producing 125 barrels of oil and 170 MCF per day.

19 The Harton State IP'd in the Canyon at 152
20 barrels of oil a day and 300 MCF, and it is currently
21 producing 88 barrels of oil a day and 89 MCF per day.

22 Q. Now, if we look at this, the Harton State well is
23 currently completed and producing from the Canyon, the Saba
24 Energy State Number 1 is in the Cisco. Are both of these
25 zones present in each of the wells?

1 A. Yes, and they're both upper Penn.

2 Q. If we look at Exhibit Number 1, there's some
3 additional wells north of the proposed pool. Are any of
4 those upper Pennsylvanian completions?

5 A. No, they were all drilled to the Wolf- --
6 except -- all but one -- which was Section 4 well, was
7 drilled to the Strawn. The other wells were Wolfcamp,
8 either dry holes or wells that were drilled and plugged and
9 have been subsequently plugged and abandoned.

10 Q. Let's go to Saba Exhibit Number 2. Would you
11 identify and review this for Mr. Stogner?

12 A. That is a type log that shows our two wells that
13 we've drilled, open-hole log sections that's showing our --
14 the first of it shows the tops and the base of the
15 Wolfcamp, then it shows the perforations that we have in
16 both wells, the Cisco and the Canyon.

17 And I guess the point for that exhibit is to show
18 that the zone is present in both wells, that we plan on --
19 as one of them -- as they deplete on both wells, we plan on
20 opening the zones in the other wells. So our objective is
21 really both zones of the upper Penn.

22 Q. How close to these wells is the nearest upper
23 Pennsylvanian production?

24 A. We have done a search, production search of the
25 upper Penn formations in southeast New Mexico, and the

1 closest field was 12 miles.

2 Q. Could you review for Mr. Stogner the closest
3 fields or pools to these wells, identify the spacing
4 pattern for each and the average cumulative production on a
5 well basis in each of these pools?

6 A. Yes, we did a production search and came up with
7 four fields. The closest, as I said, was 12 miles away,
8 and the farthest being 24 miles away, that had produced
9 from the upper Penn formations. We have looked at those
10 and gathered production data, and the results were -- I'll
11 just quickly go through each four.

12 The Dean field, which is 18 miles to the south,
13 was discovered in 1956. It subsequently had drilled 29
14 producers on 80-acre spacing and cum'd, on a per-well
15 average, 162,000 barrels of oil.

16 The Four Lakes field, which is 12 miles to the
17 west, also was -- started development in 1956, ultimately
18 had nine wells on 160-acre spacing, and average cum was
19 338,000 barrels of oil.

20 The Saunders East field, which is the one that
21 was 24 miles to the southeast, was discovered in 1962.
22 Seven wells, it was also on 160-acre spacing and averaged
23 333,000 barrels of oil per well.

24 And the Bagley North field, which is 12 miles to
25 the east, was discovered in 1968. Twelve wells on 80-acre

1 spacing and averaged 246,000 barrels of oil, cum.

2 Q. Could you generally describe the nature of the
3 geological feature that you have discovered in the upper
4 Pennsylvanian formation?

5 A. Yes, this is a stratigraphic trap, structural
6 high, that the production is on the east side of an
7 upthrown fault.

8 Q. Is this a similar pool to the four that you have
9 just summarized information on for the Examiner?

10 A. Yes.

11 Q. Is Exhibit Number 3 a geological summary that has
12 been prepared by Saba, and does it basically contain the
13 figures and the data that you've just summarized for the
14 Examiner?

15 A. Yes, it does.

16 Q. Let's go to what has been marked as Exhibit
17 Number 4. And I guess before, what we ought to do is we
18 ought to ask you, because of the distances between the
19 other upper Penn pools, is it your opinion that, in fact,
20 the State Well Number 1 and the Harton State Well Number 1
21 -- are these wells completed in a new and separate source
22 of supply in the upper Pennsylvanian formation?

23 A. Yes.

24 Q. Is it your opinion that they should perform like
25 other upper Pennsylvanian wells in southeastern New Mexico?

1 A. Yes.

2 Q. And have you -- At this point in time I think,
3 then, we should go to the reserve calculations and your
4 estimate of oil reserves for these wells, which have been
5 marked as Exhibits 4 and 5. Would you refer to those and
6 review them for the Examiner?

7 A. Yes. Exhibits 4 and 5 are oil-reserve
8 calculations and drainage calculations for the two wells,
9 Number 4 -- Exhibit 4 being for the Saba State, Exhibit 5
10 for the Harton State.

11 It -- where I -- Just kind of go through these
12 quickly. The reservoir data as far as porosities, water
13 saturations, are recovered from the open-hole logs, the
14 calculations. The temperatures were from bottomhole
15 pressure tests we ran on both wells.

16 And the estimated recovery factor for the primary
17 was based on my experience and from looking at these four
18 fields that I just mentioned and taking an average of 18
19 percent primary recovery factor.

20 I then do calculations on a 40-acre drainage and
21 also an 80-acre drainage and compare those -- see how those
22 compare with the figures of those four upper Penn fields
23 already established, and on 40-acre drainage these two --
24 adding the two together, since they're -- both zones will
25 be completed in each well, they come up to 111,000 stock

1 tank barrels at 18-percent recovery factor.

2 To date we've already recovered the cum for these
3 two wells of 40,000, which compares favorably with the
4 other four fields of what they produce in the first year.
5 So we believe that these wells are going to cum and drain
6 more than a 40-acre drainage pattern.

7 We believe on 80-acre drainage calculation -- The
8 calculation is 222,000 barrels, which is more in line with
9 what has been seen recovered from these four fields, and we
10 feel more what we're going to recover from our two wells,
11 our two zones.

12 Q. And in addition to the oil recovery you do have
13 gas recovery available --

14 A. Yes, there's also gas associated with these
15 reserves.

16 Q. Is it your opinion that you, in fact, on 80 acres
17 will be able to drill and complete economic wells?

18 A. Yes.

19 Q. And will these wells drain the 80 acres that are
20 dedicated thereto?

21 A. Yes.

22 Q. You're not trying to increase your depth bracket
23 allowable with this Application; your wells are not being
24 restricted by it, are they?

25 A. No, no.

1 Q. In fact, you're trying to have a drainage area
2 that, in effect, will enable you to space wells so that you
3 can effectively drain in an economic fashion; is that fair?

4 A. Yes.

5 Q. What conclusions have you reached from your study
6 of the reservoir?

7 A. Saba has -- The conclusions is that Saba has
8 discovered a separate reservoir in the upper Penn
9 formation, that this reservoir is similar to the other
10 upper Penn reservoirs in southeast New Mexico, and that
11 both wells that Saba has drilled to date have calculated to
12 have a large drainage area, which has been confirmed by
13 production volumes and also by analogy to these upper Penn
14 pools in southeast New Mexico.

15 And we believe that the prudent way to produce
16 this reservoir is with wells on 80-acre patterns.

17 Q. Mr. Baldwin, is Exhibit Number 6 a notice
18 affidavit confirming that notice has been given to Marks
19 and Garner of the hearing here today?

20 A. Yes, it is.

21 Q. Where is the Marks and Garner property interest?
22 If you want to relate back to Exhibit 1.

23 A. It's located in the southeast southeast of
24 Section 6, 13 South, 36 East.

25 Q. Is there at the present time a lawsuit in

1 progress concerning the status of a lease in that
2 particular area?

3 A. Yes, there is.

4 MR. CARR: Mr. Examiner, there is a lawsuit
5 between Saba, Marks and Garner and a family. The last name
6 of the family is Duncan. They're represented by an
7 attorney in Clovis named Mr. Ralleck. We have notified
8 Marks and Garner of this Application. We have also
9 provided a copy of our Application to the attorney for the
10 Duncan family, so that all parties involved would know.

11 The question in that lawsuit -- and you may --
12 and the reason I'm bringing this up, there were telephone
13 inquiries back when the case was originally filed, and we
14 did provide the data. The issue in that case is whether or
15 not a lease expired before a subsequent lease was taken.
16 It only affects the title, and all the affected parties are
17 aware of the request for the new pool and the spacing.

18 It is independent -- This case is independent of
19 the issues in the lawsuit, but if there are communications
20 in the file from any other parties, we believe those have
21 been addressed and they were aware of the hearing here
22 today.

23 The other thing I'd like to point out is that
24 notice was not provided to certain mineral interest owners
25 south and southwest of these proposed locations, and we

1 would request that we be permitted to provide notification
2 to these individuals, continue the case for four weeks and
3 then file an affidavit at that time to confirm that all who
4 are affected, in fact, have received notice of the
5 Application.

6 Q. (By Mr. Carr) Mr. Baldwin, in your opinion will
7 approval of this Application and the formation of this new
8 pool and the adoption of the special pool rules be in the
9 best interest of conservation, the prevention of waste and
10 the protection of correlative rights?

11 A. Yes.

12 Q. Were Saba Energy Exhibits 1 through 6 either
13 prepared by you or compiled under your direction and
14 supervision?

15 A. Yes, they were.

16 MR. CARR: At this time, Mr. Stogner, we would
17 move the admission into evidence of Saba Energy of Texas,
18 Inc., Exhibits 1 through 6.

19 EXAMINER STOGNER: Exhibits 1 through 6 will be
20 admitted into evidence.

21 MR. CARR: And that concludes my direct
22 examination of this witness.

23 EXAMINER STOGNER: Mr. Carr, in your additional
24 notification you mention to the south and southeast.

25 MR. CARR: Yes.

1 So far, the two wells drilled have come right on
2 with the seismic data, but as we move north it -- you know,
3 it thins out. So we based -- we have -- The trend from the
4 southwest to the northeast is pretty much the area that we
5 have under lease.

6 Q. I'll also at this time take administrative notice
7 of NSL-3744.

8 Were you responsible for that administrative
9 application, do you remember, sir?

10 A. The -- No.

11 Q. The original unorthodox location request.

12 A. No, our landman was.

13 Q. Okay. Was that requested for geologic -- or do
14 you know what the reason for the location exception was?

15 A. Just to get in the high for the seismic data.
16 That was the -- for the Devonian -- Our original objective
17 was for the Devonian, and that was the structural high
18 point. That was the reason for the unorthodox location.

19 Q. Oh, okay, it was based on the Devonian formation?

20 A. It was the -- Yes, this play was developed off
21 the Devonian. And the oil-water contact, evidently, is not
22 where we think it is, and they watered out. And that's why
23 we -- the bailout has been the upper Penn, which we now
24 discover is a -- better than the Devonian.

25 EXAMINER STOGNER: I'll still take administrative

1 notice of NSL-3744. I'm curious now what zones were
2 authorized for that particular well. You'll need to check
3 on that.

4 Mr. Carr, I believe you were provided a copy of a
5 letter from Mr. Garner with, I believe, Marks and Garner.
6 Were you provided a copy of that?

7 MR. CARR: Mr. Stogner, I may have been. I'm not
8 familiar with it.

9 EXAMINER STOGNER: Okay, what I've got in my
10 possession here, received on June 1st, 1998, which is
11 essentially a written objection for the 330-foot offset.
12 So I guess we'll need to go into a little bit more detail
13 on that request.

14 You're requesting that wells be no closer than
15 330 to the quarter-quarter-section line? Or -- You said
16 quarter-section line in your Application. What are you
17 asking for?

18 MR. CARR: If we did, that is a mistake on my
19 part. It is a quarter-quarter-section line. Our intent on
20 that was to not change the spacing requirements since we
21 had two wells that had been 330 off the line, and so that
22 was the reason for -- our reason. One was 330 and one was
23 unorthodox. But it was to follow the 40-acre spacing unit.

24 EXAMINER STOGNER: I know as of late we have been
25 getting away from that 150 foot from the --

1 MR. CARR: Right.

2 EXAMINER STOGNER: -- from the center.

3 Q. (By Examiner Stogner) What are the -- is this
4 just -- in perforating two formations and that would be the
5 Canyon and the Cisco?

6 A. Yes, which are both upper-Penn-aged formations.
7 We're just calling them Cisco and canyon, which I think is
8 what has been established for that prior.

9 Q. I wanted to make sure of what you're considering
10 the limits of --

11 A. Yes.

12 Q. -- the upper Penn.

13 What stimulation methods were utilized on these
14 wells?

15 A. Acid treatments, around 5000 gallons of
16 28-percent just straight HCl. As you can tell by the
17 porosities, they're pretty tight, and it takes quite a bit
18 of pressure to pump into them. But once they break down,
19 they will -- Once you get the acid in there, they will
20 break down and -- But it's just basically straight 5000
21 gallons of acid.

22 Q. That's what I was wondering, because the porosity
23 does look tight for an 80-acre spacing. Are there
24 economics involved too, as far as the number of wells in a
25 particular given area to adequately drain these reservoirs,

1 or this reservoir?

2 A. Well, we believe -- yes, we believe that you'd
3 have to get in the range of 200,000 per well, and with
4 associated gas, to make it economic.

5 And then as a bailout, there's been a lot of
6 Wolfcamp out there, which some of them have been dryhole,
7 but -- and we haven't perforated any of the Wolfcamp, but
8 we did have a show as we drilled both these wells. So as a
9 bailout, you know, not knowing exactly what the Wolfcamp
10 would give up, as a bailout you might get up to 250,000 to
11 300,000.

12 But just for an upper Penn well, 200,000, with
13 the gas, associated gas, would be economic at today's
14 pricing.

15 Q. And when were these two wells, again, drilled?

16 A. The first well, the Saba State, was spudded in
17 December of 1996, and the Harton State, which was a
18 re-entry, was spudded in July of 1997.

19 Q. And when were they completed in the zone?

20 A. In the --

21 Q. At the upper Penn.

22 A. -- upper Penn. The Saba State was completed in
23 the Cisco in January of 1998, and the Harton state was
24 completed in the Canyon in September of 1997.

25 Q. And the geologist at our Hobbs District Office

1 didn't put those in a pool at the time, that you are aware
2 of?

3 A. No. I mean, they originally were just statewide
4 40-acre spacing, and because there was no -- what they call
5 this, the southwest Tatum field, or Tatum field, there was
6 no -- there's been no, you know, production anywhere around
7 that was upper Penn, so --

8 Q. But he didn't formulate -- You don't know --

9 A. No.

10 Q. -- if a pool was formulated --

11 A. No.

12 Q. -- for these two wells?

13 A. It was not.

14 Q. Do you have a proposed name for this pool?

15 A. Just upper Penn wildcat -- what we're calling it
16 is the wildcat upper Penn.

17 Q. Do you have a proposed pool name?

18 A. No.

19 Q. Okay. You're not partial to anything like the
20 Bill Carr Upper Penn?

21 MR. CARR: Sounds like a great name to me.

22 EXAMINER STOGNER: Are there any other questions
23 of this witness at this time?

24 Q. (By Examiner Stogner) It's usually the
25 Division's practice, Mr. Baldwin, to assign new pools --

1 for special pool rules, a temporary time to allow for
2 adequate or additional information to be gathered, and
3 usually that time is anywhere from 12 to 24 months. Do you
4 have any comment on that?

5 A. Well, we -- Like I said, we've got about 2300
6 acres, and a lot of that acreage that we leased up in 1996
7 and 1997 is going to be coming to term probably before that
8 time. So, you know, we would like to go on and develop and
9 see how -- you know, how far the field does extend.

10 So, you know, I would ask if we could get a
11 ruling sooner than that, so we could develop this thing on
12 80.

13 MR. CARR: Would you let me ask a question?

14 EXAMINER STOGNER: Yes.

15 FURTHER EXAMINATION

16 BY MR. CARR:

17 Q. You're going to drill the additional two wells.
18 How soon do you intend to spud those wells?

19 A. We'll spud both of them before July 23rd, because
20 we have -- The first set of leases that we have, like in
21 Section 5, are going to run out July 23rd.

22 Q. If --

23 A. I mean August 23rd, I'm sorry.

24 Q. If those are successful, would you then be
25 drilling additional wells in the area that define the

1 reservoir limit?

2 A. Yes.

3 Q. Would you have, do you think, within a year
4 information that you could show the Division that would
5 confirm that 80-acre spacing is, in fact, an appropriate
6 spacing pattern for the reservoir?

7 A. Yes.

8 Q. Would a year be an appropriate time, or would you
9 think 18 months would be a better period of time within
10 which for you to be able to really flesh out how far this
11 reservoir may actually go?

12 A. Well, I think a year would -- with the
13 development of the two wells and as we log them and move
14 north and -- of course, as we get more production data on
15 these other two, you know, would tell us --

16 Q. If rules were adopted at this time for 80-acre
17 spacing and then the case was set for hearing in a year so
18 you could present additional data to confirm that that
19 spacing decision is correct, would that be satisfactory to
20 the purposes of Saba?

21 A. Yes.

22 MR. CARR: That's all I have.

23 EXAMINER STOGNER: I have no other questions, Mr.
24 Baldwin.

25 Are there any questions of this witness?

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You may be excused.

MR. CARR: And we would ask that the case remain open so that we can provide the additional notice and provide an affidavit for you in four weeks.

EXAMINER STOGNER: And also at that time why don't you provide me a rough draft order --

MR. CARR: Yes, sir.

EXAMINER STOGNER: -- and we'll just be that much further ahead come July 9th.

MR. CARR: Yes, sir.

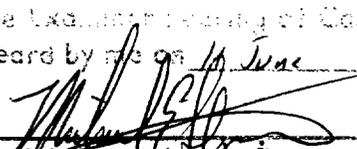
EXAMINER STOGNER: In the meantime, Case Number 11,986 will be continued to the Examiner's Hearing scheduled for July 9th, 1998.

And that concludes today's hearing, so this matter is adjourned.

(Thereupon, these proceedings were concluded at 10:30 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner's hearing of Case No. 11986, heard by me on 10 June, 1998.


_____, 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 June 13th, 1998.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998