

NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date DECEMBER 3, 1998 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
Erna IZ Canal	Loree Brown Hunt & Canal Penwell	Artesia
Raye Miller	Marbob Energy Corp	Artesia
Robert Bullock	Xater Pet. Corp.	Artesia
Bern Man	"	"
JOHN R. GRAY	MARBOB	"
Martin Soire	Marbob	"
W Kelbhorn	Kelbhorn & Kelbhorn	Santa Fe
Mike Brown	Manganese Oil	Roswell
Sally Krasnicka	Fisher	Midland

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

OIL CONSERVATION DIV.
98 DEC 16 AM 8:11

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF YATES PETROLEUM)
CORPORATION FOR COMPULSORY POOLING)
AND UNORTHODOX WELL LOCATION,)
EDDY COUNTY, NEW MEXICO)

CASE NO. 12,084

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 3rd, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 3rd, 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.

* * *

I N D E X

December 3rd, 1998
Examiner Hearing
CASE NO. 12,084

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>ROBERT BULLOCK</u> (Landman)	
Direct Examination by Mr. Carr	5
Examination by Examiner Stogner	11
<u>BRENT MAY</u> (Geologist)	
Direct Examination by Mr. Carr	13
Examination by Examiner Stogner	22
REPORTER'S CERTIFICATE	25

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	11
Exhibit 2	8	11
Exhibit 3	9	11
Exhibit 4	9	11
Exhibit 5	9	11
Exhibit 6	15	21
Exhibit 7	16	21
Exhibit 8	18	21
Exhibit 9	21	21

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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 Legal Counsel to the Division
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FOR THE APPLICANT:

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 By: WILLIAM F. CARR

FOR PENWELL ENERGY, INC.:

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 Post Office Box 1720
 Artesia, New Mexico 88210
 By: ERNEST L. CARROLL

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order, Docket Number 33-98. Please note today's date,
5 December the 3rd, 1998. I'm Michael Stogner, appointed
6 Hearing Examiner for today's cases.

7 At this time I will call the first case, 12,084.

8 MR. CARROLL: Application of Yates Petroleum
9 Corporation for compulsory pooling and unorthodox well
10 location, Eddy County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

12 MR. CARR: May it please the Examiner, my name is
13 William F. Carr with the Santa Fe law firm Campbell, Carr,
14 Berge and Sheridan. We represent Yates Petroleum
15 Corporation in this matter, and I have two witnesses.

16 EXAMINER STOGNER: Any other appearances?

17 MR. ERNEST CARROLL: Yes, Mr. Examiner, I'm
18 Ernest Carroll of the Artesia law firm of Losee, Carson,
19 Haas and Carroll. I am here today representing Penwell
20 Energy, Inc. We have no witnesses.

21 EXAMINER STOGNER: That's Penwell Energy?

22 MR. ERNEST CARROLL: Yes, sir.

23 EXAMINER STOGNER: Any other appearances?

24 Okay, will the two witnesses please stand to be
25 sworn at this time?

1 (Thereupon, the witnesses were sworn.)

2 EXAMINER STOGNER: Mr. Carr, you may continue, or
3 start, whatever --

4 MR. CARR: Whatever seems right.

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

8 DIRECT EXAMINATION

9 BY MR. CARR:

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

11 A. My name is Robert Bullock.

12 Q. And where do you reside?

13 A. I reside in Hope, New Mexico.

14 Q. Mr. Bullock, by whom are you employed?

15 A. Yates Petroleum Corporation.

16 Q. And what is your current position with Yates?

17 A. I'm a landman.

18 Q. Have you previously testified before this
19 Division and had your credentials as a petroleum landman
20 accepted and made a matter of record?

21 A. Yes, sir.

22 Q. Are you familiar with the Application filed in
23 this case?

24 A. Yes.

25 Q. Are you familiar with the status of the lands in

1 the area which is the subject of this Application?

2 A. Yes, sir.

3 MR. CARR: Mr. Stogner, are the witness's
4 qualifications acceptable?

5 EXAMINER STOGNER: Any objections? So qualified.

6 Q. (By Mr. Carr) Mr. Bullock, would you briefly
7 state what Yates seeks with this Application?

8 A. Yates seeks a compulsory pooling and an
9 unorthodox well location, pooling all mineral interests in
10 the south half of Section 8, Township 17 South, Range 27
11 East, to be dedicated to our proposed Riverside ASS Federal
12 Com Number 1 well, which is at an unorthodox location of
13 1650 feet from the south line, 660 feet from the east line.

14 And we also would like the cost of drilling and
15 completing of the well and the risk associated there to be
16 considered. We would like to be designated operator.

17 Q. Have you prepared exhibits for presentation here
18 today?

19 A. Yes, sir.

20 Q. Would you refer to what has been marked for
21 identification as Yates Petroleum Corporation Exhibit
22 Number 1, identify that and review it for the Examiner?

23 A. Exhibit Number 1 outlines the proposed spacing
24 unit for the drilling of this well, being the south half of
25 Section 8. The red dot indicates our well location. The

1 well is located on state minerals, and also communitized
2 with these 160 acres of state minerals are 160 acres of
3 federal minerals, being the south half of the south half of
4 Section 8.

5 Q. This exhibit also shows the offsetting operators?

6 A. Right.

7 Q. And the well is unorthodox toward the eastern
8 boundary of the spacing unit, therefore encroaching on Chi
9 and Penwell; is that right?

10 A. Chi, Penwell and OXY. OXY actually is the
11 operator of a lease there in Section 9.

12 Q. Okay. What is the primary objective in the
13 proposed well?

14 A. The Morrow formation.

15 Q. Are there secondary objectives?

16 A. Yes, sir, the Atoka formation, and I'll let Mr.
17 May speak to the other --

18 Q. All right. Let's go to -- Before we go to
19 Exhibit Number 2, could you just generally summarize the
20 ownership breakdown in the south half of Section 8?

21 A. The south half of Section 8 is 50 percent the
22 Yates Companies and 50 percent Penwell Energy, Inc.

23 Q. And is the Penwell interest -- That is the only
24 interest that is subject to the compulsory-pooling portion
25 of the case?

1 A. Yes, sir.

2 Q. Is it a 50-50 split?

3 A. It is a 50-50 split, yes.

4 Q. So 50 percent of the interest is voluntary
5 committed to the well?

6 A. Right.

7 Q. Let's go to Exhibit 2, and I'd ask you to
8 identify and review that.

9 A. Exhibit 2 is our AFE for the drilling of the
10 well. It sets out the dryhole cost of \$364,100 and the
11 completed well costs of \$630,600.

12 Q. Are these costs in line with what is charged for
13 other Morrow wells in this area?

14 A. Yes, sir.

15 Q. Could you summarize for the Examiner Yates'
16 efforts to reach a voluntary agreement with Penwell for the
17 development of this acreage?

18 A. Okay, on August the 19th we proposed the drilling
19 of this well with our letter and AFE and asked them to
20 participate in the drilling of the well with us, and we
21 suggested in that letter if they did not want to
22 participate that we would take a term assignment of their
23 interest. I indicated we would forward our JOA shortly
24 thereafter.

25 Again, on August the 1st, another letter was

1 written to them. It again asks them to participate in the
2 drilling of the well. And I suggest in that letter if they
3 chose not to participate with us, that we would take a
4 farmout of their interest and set out the terms of that
5 offer.

6 Then on October 30th, we submitted to them our
7 joint operating agreement for the drilling of the well.
8 October 30th, we sent another letter. We amended -- In
9 that letter we amended the original location to the
10 location that we're talking about today.

11 Q. Are copies of the letters that you've just
12 testified concerning your negotiations with Penwell
13 included in what has been marked Yates Petroleum
14 Corporation Number 3?

15 A. Yes, sir.

16 Q. Is Exhibit Number 4 an affidavit confirming that
17 notice of today's hearing has been provided in accordance
18 with Oil Conservation Division rules?

19 A. Yes, it is.

20 Q. And is Exhibit Number 5 a waiver letter executed
21 on behalf of OXY USA, Inc., waiving objection to the
22 proposed unorthodox location?

23 A. Yes, sir, it is.

24 Q. Have you made an estimate of the overhead and
25 administrative costs to be incurred while drilling this

1 well and also while producing it, if it is successful?

2 A. Yes, those costs are in our drilling operating
3 agreement.

4 Q. And that's included in Exhibit 3?

5 A. That's correct. We would like to use \$5400 for
6 the drilling well rate and \$540 for the producing well
7 rate.

8 Q. Are these costs in line with what's charged by
9 other operators for similar wells in the area?

10 A. Yes, sir.

11 Q. Do you recommend that these figures be
12 incorporated into the order that results from today's
13 hearing?

14 A. Yes.

15 Q. Does Yates Petroleum Corporation seek to be
16 designated operator of this well?

17 A. Yes, we do.

18 Q. Will Yates call a geological witness to review
19 the risk associated with the drilling of this well and also
20 the necessity for the unorthodox location?

21 A. Yes.

22 Q. In your opinion, will approval of this
23 Application be in the best interests of conservation, the
24 prevention of waste and the protection of correlative
25 rights?

1 A. Yes, sir.

2 Q. Were Yates Exhibits 1 through 5 either prepared
3 by you or compiled under your direction?

4 A. Yes.

5 MR. CARR: At this time, Mr. Stogner, we would
6 move the admission into evidence of Yates Petroleum
7 Corporation Exhibits 1 through 5.

8 EXAMINER STOGNER: Exhibits 1 through 5 will be
9 admitted into evidence.

10 MR. CARR: And that concludes my direct
11 examination of Mr. Bullock.

12 EXAMINER STOGNER: Thank you, Mr. Carr.

13 Mr. Carroll, do you have any questions?

14 MR. ERNEST CARROLL: No, Mr. Examiner.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. Mr. Bullock, referring to Exhibit Number 1, you
18 say there was a 50-50 split between Yates's interest and
19 Penwell's?

20 A. Yes, sir.

21 Q. And is that a divided or an undivided interest?

22 A. They have a big pool, so it would be a -- Our
23 interest is separate from theirs, so it would be divided.

24 Q. Okay, I guess I should say what portion of land
25 does Yates own?

1 A. Yates owns the north half of the south half.

2 Q. Okay, that's a hundred-percent Yates controlled?

3 A. Yes, sir.

4 Q. And how about Penwell?

5 A. They have the south half of the south half.

6 Q. Okay. So let's see, now, your advertisement is
7 for 320 acres, the south half, so that would be 50-50,
8 right?

9 A. Right, yes, sir.

10 Q. Okay, how about 160-acre spacing?

11 A. Fifty-fifty.

12 Q. Okay, and the proposed 80 acres -- and I'm
13 assuming, because you're asking for 80, there is a known
14 pool out there spaced on 80s?

15 A. Yeah, there must be.

16 Q. Okay. And I'm sure your geologist --

17 A. Yes, sir.

18 Q. -- will tell me which one that is?

19 A. That also is 50-50.

20 Q. Okay, how about 40?

21 A. Forty would be a hundred percent Yates.

22 Q. Okay, so that can be dropped from an order in
23 this case?

24 A. Yes, sir.

25 Q. Now, the operating agreement was provided to

1 Penwell on October the 30th; is that correct?

2 A. Yes, sir, October the 30th.

3 Q. Has there been any amendments to that, or is it
4 shown as what you have given me as Exhibit Number 3?

5 A. That should be correct.

6 EXAMINER STOGNER: Okay, I have no other
7 questions of Mr. Bullock. You may be excused.

8 Mr. Carr?

9 MR. CARR: Mr. Stogner, at this time we would
10 call Brent May.

11 Mr. Stogner, as a follow-up to your question
12 concerning an 80-acre spacing unit, at the time we filed
13 the Application, we did check that. I believe there is an
14 80-acre pool. Mr. May did not do that, I did. And I don't
15 have the name of it with me. May I submit that to you
16 following the hearing?

17 EXAMINER STOGNER: Yes, if you would, please.

18 BRENT MAY,

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

21 DIRECT EXAMINATION

22 BY MR. CARR:

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

24 A. Brent May.

25 Q. Where do you reside?

1 A. Artesia, New Mexico.

2 Q. And by whom are you employed?

3 A. Yates Petroleum.

4 Q. What is your position with Yates?

5 A. I'm a geologist.

6 Q. Have you previously testified before this
7 Division and had your credentials as a geologist accepted
8 and made a matter of record?

9 A. Yes, I have.

10 Q. Are you familiar with the Application filed in
11 this case?

12 A. Yes, I am.

13 Q. Have you made a geological study of the area
14 which is the subject of this Application?

15 A. Yes, I have.

16 Q. And are you prepared to share the results of that
17 study with Mr. Stogner?

18 A. Yes, sir.

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

21 EXAMINER STOGNER: Any objection?

22 MR. ERNEST CARROLL: No objection.

23 EXAMINER STOGNER: Mr. May is so qualified.

24 Q. (By Mr. Carr) Mr. May, let's go first to what
25 has been marked Yates Petroleum Corporation Exhibit Number

1 6, your isopach map, and I'd like you to first explain the
2 map to the Examiner and then review what it shows.

3 A. This is an isopach map of the lower Morrow
4 clastics. It's prepared exclusively from well control. I
5 might also note that on this map it's basically only
6 showing the Morrow penetrations, which are double and
7 circle spots.

8 The contour interval is 20 feet, the proposed
9 320-acre spacing unit is shown, and the proposed location
10 in the southeast quarter of Section 8 is also shown.

11 This map is basically showing the thickness from
12 the top of the lower Morrow clastics to the top of the
13 Mississippian -- what I call the Mississippian
14 unconformity. It shows the varying thickness of this
15 isopach within this area.

16 It shows that our proposed location is on the
17 west flank of the main thick, which is generally running
18 north-south through Sections 4, 9 and 16 of 17 South, 27
19 East.

20 Our experience in some of the wells that have
21 been drilled in this area that have economic producing
22 quantities of gas from the Morrow show that it's best to be
23 near the thicks of this isopach. It will give you a much
24 better chance of encountering these lower Morrow channel
25 sands that are -- can produce economic volumes of gas.

1 So this map shows why we're seeking an unorthodox
2 location. The thick is to the east, so we're trying to get
3 as close to the thick as possible.

4 Q. Does this exhibit also contain a trace for your
5 subsequent cross-section?

6 A. Yes, it does, cross-section A-A', it does have
7 that trace.

8 Q. And that's what's marked as Yates Exhibit Number
9 7. Would you go to that and review it for Mr. Stogner?

10 A. This is a stratigraphic cross-section, A-A'. The
11 datum is the top of the lower Morrow or what's also called
12 the lower Morrow clastics. Also tops marked are the Atoka,
13 what we call just the Morrow clastics and then the Chester
14 lime.

15 We also have a wavy line in here that's
16 identified as the top of the Mississippian unconformity,
17 and what that is is where we see the lower Morrow cutting
18 down into existing Mississippian formation.

19 It's basically a west-to-east cross-section.
20 Starting on the left-hand side is the OXY Livan Federal
21 Number 1 in Unit B of Section 17, in 17 South, 27 East.
22 You can see that this well is on the edge of what was
23 isopached, and that isopached interval, again, is the top
24 of the lower Morrow to the top of the Mississippian
25 unconformity.

1 This well was completed in the Morrow, but not
2 within this lower Morrow clastics interval. It encountered
3 a thin sand up in the Morrow clastics and perforated that
4 and IP'd it for around 3 million a day. Again, note the
5 lack of hardly any sand in the lower Morrow clastics. Very
6 kind of thin sand, maybe two -- one to two feet thick, and
7 that's all.

8 The next well on the cross-section is the
9 proposed Yates location, and we feel like -- We're hoping
10 that we're going to encounter one of the sands within this
11 lower Morrow clastics.

12 Then the next well on the cross-section is the
13 OXY LD "4" Federal Number 1, in Unit O, Section 4, 17
14 South, 27 East. You can see that the OXY LD "4" is
15 basically within the thick of this isopached interval, and
16 you can see the massive channel sand that they encounter.
17 That well was perforated in that sand and IP'd for about
18 3.6 million a day and 50 barrels of condensate.

19 They also had a smaller, thinner little sand near
20 the base of the lower Morrow clastics, so what we feel like
21 is, when you get into the thick of this isopach, you have a
22 much higher chance of encountering these sands.

23 The last well on the cross-section is the OXY
24 Magni State Number 1 in Unit K, Section 10 of 17 South, 27
25 East. Again, you're getting a little bit further on the

1 edge, though not quite as much as the Livan, OXY Livan.
2 And you can see that OXY encountered a few little thin
3 sands within the Morrow clastics and not enough to where
4 they thought it would be economic, so they plugged the
5 well.

6 Q. Mr. May, let's go to Exhibit Number 8, the
7 production table. Would you explain the purpose of this
8 exhibit to Mr. Stogner?

9 A. This is basically listing off some of the
10 production from the Penn in this immediate area. You might
11 note that some of the wells there's no production data for.
12 This is a fairly recently active area, especially
13 considering the OXY wells; they've been quite active out
14 here lately. So some of the wells are fairly new and we do
15 not have the production.

16 You might note, though, the production on the LD
17 "4" Federal Com Number 1, go over to the far right-hand
18 side, which shows the last daily production that we can
19 find, 4.6 million a day. Very good well. And it is within
20 the thick of that isopached interval.

21 You might note that the Livan, the last daily
22 production is showing about 1.8 million. Remember, though,
23 that that was not out of the isopached interval. They
24 encountered a stray Morrow clastics sand, and that's what
25 they're producing out of.

1 Q. Are you prepared to make a recommendation to the
2 Examiner as to the risk penalty that should be assessed
3 against Penwell as a nonparticipating interest owner?

4 A. Yes, I do, we feel like it should be 200 percent.

5 Q. And upon what do you base that 200-percent
6 recommendation?

7 A. If we could go back to Exhibit 6, along with
8 Exhibit 8, also shown on Exhibit 6, some of the wells are
9 colored red. Those wells are producing from this isopached
10 interval of the lower Morrow clastics. But go up in
11 Section 4, in the south half, is the LD "4" Number 1. You
12 can see that is within this thick, has approximately 205
13 feet of thickness, isopach thickness, in this interval.
14 And remember, it was doing about 4.6 million a day
15 recently.

16 We don't have any production numbers on the OXY
17 Roscoe Federal Number 1 in the north half of Section 4, but
18 it is again within this thick. We have heard, though, that
19 it is a very good well. And it did have some sands within
20 the lower Morrow.

21 Going down to Section 9, the OXY Wallace State
22 Number 1, that well was originally drilled down and
23 encountered about 147 feet of isopach thickness. They
24 didn't find any very good sand, so what they did is, they
25 came back up the a hole a little bit and sidetracked just a

1 little bit to the southwest. It didn't improve their
2 isopach thickness much, but they did encounter a thin sand.
3 And from what we understand they perforated it and it's a
4 good well, from what we understand.

5 Going down in the south half of that Section 9,
6 the OXY Wallace State Number 2, that well is not colored
7 red. Even though they've encountered 199 feet of isopach
8 thickness, they did not encounter any sands within this
9 thick. In fact, that well is a poor Atoka producer. They
10 haven't even attempted anything in the Morrow.

11 So even though we're trying to get into the thick
12 of this isopached interval, it does not guarantee that
13 you're going to encounter any channel sands, which is what
14 occurred with that Wallace State Number 2. So the risk is,
15 you can still get in this thick, but still not encounter
16 sands. What we do is try to increase our chances of
17 encountering sands within this thick.

18 You also might note that the Yates -- proposed
19 Yates location, we're only expecting about 140 feet of
20 isopach thickness. So we're not exactly within the
21 thickest part of it.

22 So that's another part of the risk, that's
23 another reason why we're asking for a 200-percent penalty.
24 There is risk in drilling this well. We could drill it,
25 get in the thick and still not encounter sands, or drill it

1 and hit the flank of the thick and not encounter sands.

2 Q. Is Exhibit Number 9 a summary of your geological
3 presentation?

4 A. Yes, it is.

5 Q. Would you just summarize your geologic
6 conclusions for Mr. Stogner?

7 A. Basically the target out here is the lower Morrow
8 clastics, with the secondary targets as the Morrow clastics
9 and the Atoka. Within that lower Morrow clastics interval,
10 we're trying to encounter the thickest part of that isopach
11 interval to increase our chances of encountering a Morrow
12 channel sand.

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

17 A. Yes, it will.

18 Q. Were Yates Exhibits 6 through 9 prepared by you?

19 A. Yes.

20 MR. CARR: At this time, Mr. Stogner, I'd move
21 the admission of Yates Exhibits 6 through 9.

22 EXAMINER STOGNER: Exhibits 6 through 9 will be
23 admitted into evidence.

24 MR. CARR: And that concludes my direct
25 examination of Mr. May.

1 EXAMINER STOGNER: Thank you, Mr. Carr.

2 Mr. Carroll?

3 MR. ERNEST CARROLL: I have no questions.

4 EXAMINER STOGNER: Mr. Carroll, now is a unique
5 opportunity.

6 MR. ERNEST CARROLL: I would dearly love to. I
7 would probably start with his tie.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Mr. May, what is the proposed depth for this
11 well?

12 A. I believe -- Off the top of my head, around 9100
13 feet.

14 Q. 9100 feet, okay, and you're proposing -- Will
15 this take you to the base of the Morrow? And it looks like
16 you've got some sort of an unconformity out there in that
17 Mississippian?

18 A. We -- As just a standard procedure at Yates, we
19 always drill completely through the Morrow and into the
20 Chester lime to make sure we have -- feel comfortable that
21 we have identified that Chester lime. In fact, we drill,
22 sometimes, a hundred feet of rathole within the Chester
23 limes so we can specifically see the top of that formation
24 on the electric logs.

25 Q. Okay, and that would be sufficient to get you

1 into that point?

2 A. Yes, we definitely want to cut through that
3 unconformity and make sure that we are through the
4 unconformity.

5 Q. Okay, when I'm looking at Exhibits 1 and 6 --
6 this is the two maps that were provided -- does this show
7 all of the wells, or just the gas wells? What's some of
8 the shallower potential out here?

9 A. Exhibit 6 is just showing basically the Morrow
10 penetrations. Some of the other shallow -- There can be
11 Atoka, there can be some scattered Wolfcamp through the
12 general area. There can also be shallow production, as in
13 San Andres, Grayburg, as in that.

14 Q. Now, it looks like there's an old well in the
15 south half of Section 8. Do you have any recall of the
16 records of your search on that well, what that one did?

17 A. That's a shallow well, did not penetrate into the
18 Morrow, and as far as from what I understand it was plugged
19 and never produced. And it looks like it probably, maybe
20 penetrated into the San Andres, possibly.

21 EXAMINER STOGNER: I don't have any other
22 questions of Mr. May.

23 Any other questions of this witness?

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

1 EXAMINER STOGNER: You may be excused.

2 Anything further?

3 MR. CARR: By letter I will identify the 80-acre
4 pool.

5 EXAMINER STOGNER: Would appreciate that.

6 And Mr. Carroll, do you have anything further?

7 MR. ERNEST CARROLL: Nothing further.

8 EXAMINER STOGNER: In that case, Case 12,084,
9 Application of Yates Petroleum for compulsory pooling and
10 unorthodox gas well location will be taken under advisement
11 at this time.

12 (Thereupon, these proceedings were concluded at
13 8:46 a.m.)

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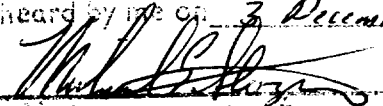
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Evans hearing of Case 12,084,
heard by me on 3 December 1998.


Off Conservation Division

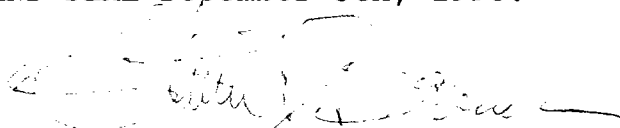
CERTIFICATE OF REPORTER

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 December 5th, 1998.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002