

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. 12,115

APPLICATION OF MATADOR PETROLEUM )  
CORPORATION FOR COMPULSORY POOLING, )  
EDDY COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

January 7th, 1999

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
99 JAN 21 PM 2:41

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, January 7th, 1999, 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 7th, 1999  
Examiner Hearing  
CASE NO. 12,115

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:27 a.m.:

3           EXAMINER ASHLEY: The Division now calls Case  
4   12,115.

5           MR. CARROLL: Application of Matador Petroleum  
6   Corporation for compulsory pooling, Eddy County, New  
7   Mexico.

8           EXAMINER ASHLEY: Call for appearances.

9           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
10   the Santa Fe law firm of Kellahin and Kellahin, appearing  
11   on behalf of the Applicant, and I have two witnesses to be  
12   sworn.

13          EXAMINER ASHLEY: Call for additional  
14   appearances.

15          MR. CARROLL: Will the witnesses please stand to  
16   be sworn?

17          (Thereupon, the witnesses were sworn.)

18          EXAMINER ASHLEY: Mr. Kellahin?

19          MR. KELLAHIN: Thank you, Mr. Examiner. We have  
20   two witnesses to present. The first witness is Barry  
21   Osborne. Mr. Osborne is an attorney. He's general counsel  
22   for Matador and is appearing in the capacity of a landman  
23   this morning.

24          The second witness is Mike Miller. Mr. Miller is  
25   a petroleum geologist, and he'll present the testimony

1 concerning the risk-factor penalty.

2 C. BARRY OSBORNE,

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

5 DIRECT EXAMINATION

6 BY MR. KELLAHIN:

7 Q. For the record, Mr. Osborne, would you please  
8 state your name and occupation?

9 A. My name is Barry Osborne. I'm general counsel  
10 and land manager for Matador Petroleum Corporation in  
11 Dallas.

12 Q. Have you and the appropriate Matador personnel  
13 under your direction determined the ownership for the  
14 spacing unit that's the subject of this Application?

15 A. Yes, we have.

16 Q. And based upon that determination of ownership,  
17 have you and others subject to your control been in contact  
18 with those interest owners?

19 A. Yes, we have.

20 Q. Has that process of negotiating and attempting to  
21 obtain a voluntary agreement been one under your direction  
22 and control?

23 A. Yes, it has.

24 MR. KELLAHIN: We tender Mr. Osborne as an expert  
25 witness.

1 EXAMINER ASHLEY: Mr. Osborne is so qualified.

2 Q. (By Mr. Kellahin) Mr. Osborne, if you'll take  
3 what we've marked as Exhibit 1, let's take a moment and  
4 identify for the Examiner the color code and some of the  
5 basic information on the display.

6 A. What is Exhibit 1 here is the south half of  
7 Section 31 of 18-31. It's -- The yellow acreage is 100-  
8 percent Matador on here in the south half, the dark blue  
9 acreage is acreage that's currently owned by Penwell, and  
10 the light blue acreage is acreage that is -- has ownership,  
11 some on Louis Dreyfus, Hollyhock Corporation, Cannon  
12 Exploration and Santa Fe Energy Resources.

13 Q. Is the south half of 31 available, to the best of  
14 your knowledge, for a potential gas proration unit for any  
15 gas production below the top of the Wolfcamp?

16 A. Yes, it is.

17 Q. This would be the first well within the spacing  
18 unit to that depth?

19 A. To my knowledge, yes.

20 Q. And in the event that there is shallow gas  
21 production to which 160 acres is dedicated, is it your  
22 proposal to dedicate the southwest quarter of this section  
23 to that production?

24 A. Yes, it is.

25 Q. And would this be the first well in that spacing

1 unit?

2 A. It's my understanding it would be, yes.

3 Q. Let's set this aside and look for a moment at  
4 Exhibit Number 2. What is this?

5 A. Exhibit Number 2 is a chronology of  
6 correspondence by Ms. Ables, who's a landman working under  
7 my direction at Matador with the various parties in  
8 interest in the south half of Section 31.

9 Q. All right. Let's set that aside for a moment and  
10 look at Exhibit 3. Would you identify and describe this  
11 for us?

12 A. Exhibit 3 is a breakdown of the interest of the  
13 parties in that south half, their percentage interest and  
14 what they'll be before and after payout, and their  
15 addresses.

16 Q. When we look at the bottom third of Exhibit 3,  
17 then, it shows the identity of and the addresses for the  
18 parties that control the working interest ownership within  
19 the spacing unit?

20 A. That's correct.

21 Q. Okay. Did I give you --

22 EXAMINER ASHLEY: Can you tell me again what  
23 exhibit you're referring to?

24 MR. KELLAHIN: Exhibit 2 is a communications  
25 summary.

1 EXAMINER ASHLEY: I have that listed as Exhibit  
2 3.

3 MR. KELLAHIN: All right, let me trade your  
4 exhibit set with mine.

5 MR. CARROLL: Mine is fine.

6 MR. KELLAHIN: All right, we'll trade out.

7 EXAMINER ASHLEY: Thank you.

8 Q. (By Mr. Kellahin) Then to be clear on the  
9 record, Mr. Osborne, Exhibit 2 is the communication summary  
10 prepared by Mona Ables?

11 A. That's correct.

12 Q. Exhibit 3 is the spreadsheet showing a breakdown  
13 of the interest and the identity of the parties?

14 A. That's correct.

15 Q. Going back to Exhibit 2, let's use that as our  
16 outline, if you will. It indicates that the first written  
17 communication from Matador to any of these interest owners  
18 was a letter dated October 2nd of 1998?

19 A. That's correct.

20 Q. To the best of your knowledge, is that the first  
21 proposal by any of these working interest owners for a well  
22 to these various depths in the spacing unit?

23 A. To my knowledge, it is.

24 Q. Let's look at Exhibit 4. My Exhibit 4 is a  
25 letter to Mr. Smith of Santa Fe Energy Resources?



1 A. That's correct.

2 Q. All right. Describe for us what you're proposing  
3 to do.

4 A. Matador is proposing to drill a well that we're  
5 calling the Shugart Deep Federal Com Number 1, located 1980  
6 from the south line and 1650 from the west line in Section  
7 31 of 18-31 of Eddy County, and to dedicate the south half  
8 as a proration unit.

9 Q. Okay.

10 A. And we propose to drill to adequately test the  
11 Morrow, all the way down through the bottom of the Morrow  
12 formation to approximately 12,550 feet.

13 Q. As part of that proposal, did you submit to the  
14 other interest owners a proposed operating agreement?

15 A. Yes, we did. It was a 1982 AAPL Form 610 Model  
16 Form Operating Agreement.

17 Q. In addition, did you submit to them Matador's  
18 estimate of well costs for the well?

19 A. Yes, we did.

20 Q. Were similar letters sent to the other working  
21 interest owners on various dates?

22 A. Yes, similar letters were sent to all the working  
23 interest owners.

24 Q. We'll go through each of the exhibits, then, so  
25 we can identify that all the parties were submitted a

1 proposed -- a well proposal.

2 Exhibit 5 is the letter to whom, sir?

3 A. It's to Hollyhock Corporation.

4 Q. Exhibit 6?

5 A. It's a letter to Cannon Exploration.

6 Q. Exhibit 7?

7 A. Louis Dreyfus Natural Gas Corporation.

8 Q. Exhibit 8?

9 A. Exhibit 8 is to Roger T. Elliott.

10 Q. And finally Exhibit 9?

11 A. Nine is to Mr. Mark Wheeler at Penwell Energy.

12 Q. All right. Identify for us what is Exhibit 10.

13 A. Exhibit 10 is the AFE that was submitted along  
14 with these letters.

15 Q. Summarize for us now -- Let's go back to Exhibit  
16 Number 3, and let's tabulate the current status of the  
17 various working interest owners. Matador has proposed the  
18 well?

19 A. Right.

20 Q. What's the status of your efforts to obtain  
21 voluntary agreement from Santa Fe Energy Resources?

22 A. Santa Fe has agreed to a term assignment with  
23 Matador.

24 Q. All right, so we can delete Santa Fe Energy  
25 Resources from the pooling application?

1           A.    Yes, we can.  We came to terms with them.

2           Q.    What's the status of your negotiations with  
3   Penwell?

4           A.    Penwell Energy right now is in the process of  
5   divesting these assets to a company out of Midland, I  
6   believe.  I don't know -- I'm not sure what stage of the  
7   acquisition they're in, but a company called Concho  
8   Resources out of Midland.

9                    Our discussions with Mark Wheeler that they're  
10   kind of in transition.  They're not objecting to our force  
11   pooling, but they're not in a position to make a decision.  
12   We have discussed this matter with representatives from  
13   Concho, and we're willing to discuss with them  
14   participating, farming in, or the pooling proceeding.  And  
15   I've been informed by their general counsel that they don't  
16   have any objection to our proceeding.

17          Q.    At this point we would have to have a compulsory  
18   pooling order that involuntarily committed to Penwell  
19   Energy, Inc., interest until you are able to reach a  
20   voluntary agreement, if possible?

21          A.    That's correct.

22          Q.    All right, Louis Dreyfus, what's the status of  
23   that?

24          A.    They're going to participate.

25          Q.    So we can delete them from the pooling order?

1 A. That's correct.

2 Q. Do you have written documentations that support  
3 that?

4 A. We have a signed AFE from Louis Dreyfus.

5 Q. All right. Cannon Exploration?

6 A. Let's back up to Hollyhock. Hollyhock and Roger  
7 Elliott -- Roger Elliott is the principal of Hollyhock  
8 corporation. I spoke with Roger Elliott yesterday. He has  
9 indicated that he is going to participate and was going to  
10 be faxing an AFE yesterday to our office in Dallas. I  
11 haven't seen a copy of it.

12 Cannon Exploration, the principal of Cannon is  
13 Todd Wilson. Mr. Wilson and Mr. Elliott are brothers-in-  
14 law. Mr. Elliott indicated to me that Mr. Wilson has no  
15 objection to the pooling and that he will make a decision  
16 when and if an order is entered, and the decision when  
17 to -- it will come out in that order, whether to  
18 participate or to accept the penalty that's assessed.

19 Q. All right. At this point, then, until Louis  
20 Dreyfus executes all the appropriate documents, including  
21 an operating agreement, and the Cannon and the Hollyhock  
22 interests have been properly committed under written  
23 agreement. It will be necessary to keep all three of those  
24 interests subject to a pooling order?

25 A. Yes.

1           Q.    Have you received any objection from any of these  
2 interest owners as to the costs that are estimated for the  
3 well?

4           A.    No, we have not.

5           Q.    To the best of your knowledge, are these costs  
6 reasonable and current?

7           A.    Yes, they are.

8           Q.    Have they been based upon other operations by you  
9 and other operators in the area to determine that they are  
10 fair and reasonable?

11          A.    Yes, they are. We have extensive operational  
12 experience in the area, and these costs reflect what our  
13 experience is.

14          Q.    Let's turn to Exhibit Number 11 and have you  
15 identify and describe this display.

16          A.    Exhibit Number 11 is the Exhibit A that will be  
17 attached to the joint operating agreement. It sets forth  
18 the percentage interest of the working interest owners,  
19 their addresses and the lease information, the information  
20 that's provided on Exhibit A of the operating agreement.

21          Q.    If the Examiner chooses to utilize this  
22 spreadsheet to show the percentage interest in a south-half  
23 spacing unit, then this would allow him to do that?

24          A.    That's correct.

25          Q.    There's a footage issue here, Mr. Osborne. We've

1 asked for a pooling order from the surface down to the base  
2 of the Morrow. In fact, there is a footage issue of 3650?

3 A. That's correct.

4 Q. So the pooling order should reflect that you're  
5 pooling interests from 3650 feet below?

6 A. That's what I understand, yes.

7 Q. Yes, what -- The shallow interests are not held  
8 by you, then, in this spacing unit? My question is, why is  
9 there a depth restriction?

10 A. We -- The shallow oil is on 40-acre spacing.  
11 The -- Well, help me out here, Tom.

12 Q. The contractual arrangement is to omit shallow  
13 oil production, isn't it?

14 A. To omit shallow oil production from the pooling,  
15 that's correct.

16 Q. Because you don't control the drill site?

17 A. That's right. We own top to bottom in the acres  
18 that we own, however, we don't own any shallow interest in  
19 what would be the 40-acre proration unit for an oil well  
20 that was drilled in the northeast of the southwest of 31.

21 Q. Okay. When we look at the operating agreement,  
22 have you included a proposal to the working interest owners  
23 for some overhead rates?

24 A. Yes, we have.

25 Q. And what are those rates, Mr. Osborne?

1 A. It's \$6500 for drilling and \$650 for production.

2 Q. And have any of the potential working interest  
3 owners objected to the overhead rates?

4 A. No, there's been no objection by the interest  
5 owners.

6 Q. And how do those rates compare to current charges  
7 by you and by others for wells in this area to that depth?

8 A. They reflect what we charge and what other  
9 operators that we work with charge in the area.

10 MR. KELLAHIN: Mr. Examiner, that concludes my  
11 examination of Mr. Osborne.

12 We move the introduction of his Exhibits 1  
13 through 12.

14 EXAMINER ASHLEY: Exhibits 1 through 12 will be  
15 admitted as evidence at this time.

16 EXAMINATION

17 BY EXAMINER ASHLEY:

18 Q. Mr. Osborne, you kind of lost me there when you  
19 were talking about the parties who have agreed and who have  
20 not agreed.

21 A. Okay.

22 Q. I'm looking at Exhibit 3 --

23 A. Okay.

24 Q. -- and I've followed you through Louis Dreyfus  
25 has agreed.

1           A.    Okay, Dreyfus has agreed to participate and has  
2 submitted an AFE.

3           Q.    Okay.

4           A.    Santa Fe Energy Resources has agreed to a term  
5 assignment.

6                   We discussed Penwell. Penwell is in the middle  
7 of a divestiture, and they're not in the position to elect  
8 one or another at this point. And we're discussing --  
9 We're in discussions with Concho Resources, who is, we  
10 understand, the party that may very well be acquiring these  
11 assets as to their participation or farming out or some  
12 other disposition of that interest.

13                   Hollyhock and -- Hollyhock Corporation, I had a  
14 conversation with them yesterday, and they have indicated  
15 to me that they want to go ahead and participate, and  
16 they've been submitted an AFE, and it may very well be  
17 sitting in our office in Dallas right now. I haven't  
18 received a copy of it yet.

19                   Cannon Exploration -- was it Hollyhock -- The  
20 principals of Hollyhock and Cannon are brothers-in-law.  
21 Mr. Roger Elliott's the principal of Hollyhock, Mr. Todd  
22 Wilson is the principal of Cannon Exploration. Roger  
23 Elliott has indicated to me that Todd has no objection to  
24 our proceeding. He wants to wait on some other information  
25 that he is gathering right now. And he -- When and if an



1 order is entered, he'll make an election under the --  
2 during the time when they'll provide it in the order to  
3 either participate or to accept the penalty.

4 Q. Okay.

5 A. Is that what you were looking for?

6 Q. Yeah, that helps me out a lot.

7 A. Okay.

8 Q. Now, back to the Penwell, they're just not in a  
9 position because of the --

10 A. Well, they're kind of in the middle of things.  
11 They're in the middle of a divestiture. I think Concho has  
12 a couple of representatives here that we're going to visit  
13 with, and they just kind of want to see what our  
14 presentation is --

15 Q. Okay.

16 A. -- decide whether they want to participate or  
17 don't want to participate.

18 Q. Okay. Now, a question again about the depth  
19 restriction. Could you explain that again?

20 A. Okay, in the depth restriction, we don't have any  
21 shallow interest, in the absence of us making some kind of  
22 an agreement with Concho Resources and Penwell, which I  
23 feel confident that we'll be able to do, at this point we  
24 have no interest in the -- what would be the proration unit  
25 for a shallow oil well.

1           See, our location is in the northeast quarter of  
2     the southwest quarter of Section 31. The dark blue  
3     indicated on the plat, that's 100-percent Penwell acreage.  
4     We don't have any interest, current interest, in that  
5     acreage, and if a shallow oil well were completed, we  
6     wouldn't have any interest in that.

7           So we'll be looking to pool from 3650 on down.  
8     Obviously, this -- us being able to make some type of  
9     contractual arrangement with Penwell or Concho on that,  
10    which we'll be working on. But right now, I don't think we  
11    have any -- we don't have an interest that we can pool in  
12    there.

13           Q.    Okay. Exhibit 11 shows the breakdown of the  
14    working interest for the leases out here?

15           A.    That's correct.

16           EXAMINER ASHLEY: Okay. I have no further  
17    questions. You may be excused.

18           THE WITNESS: Thank you.

19           MR. KELLAHIN: Mr. Examiner, a point of  
20    clarification on Exhibit 11.

21           EXAMINER ASHLEY: Okay.

22           MR. KELLAHIN: The percentages presume a 320-acre  
23    spacing unit, and if it is the southwest quarter then these  
24    numbers will be different, and we have not provided those  
25    to you.

1 EXAMINER ASHLEY: All right.

2 MR. KELLAHIN: The issue on having a party sign  
3 an AFE leaves unresolved whether or not signing an AFE  
4 alone is a full voluntary commitment of the interest under  
5 a voluntary agreement. The practice is to leave those  
6 parties subject to a pooling order until they've actually  
7 signed a joint operating agreement, to keep someone from  
8 saying I want to participate and then refusing to sign the  
9 contract.

10 So indication of a potential voluntary agreement  
11 by signing an AFE is just the first part of committing that  
12 interest on a voluntary basis. And so while Mr. Osborne  
13 has indicated his hope and expectation that all the  
14 documents are signed, today they have not yet been. And so  
15 our plan is to have those interests subject to a pooling  
16 order, with -- our hope is that they will finally be  
17 deleted from the order when they sign the operating  
18 agreement.

19 EXAMINER ASHLEY: Okay.

20 MR. CARROLL: And Mr. Osborne, the Application  
21 has been amended now to cover only those depths from 3650  
22 below the surface to the base of the Morrow; is that  
23 correct?

24 MR. OSBORNE: Yes, it is.

25 MR. CARROLL: Okay.

1 MR. KELLAHIN: Exhibit 13, Mr. Examiner, is my  
2 affidavit of notification of hearing. You'll see attached  
3 as Exhibit A the names and addresses of all the individuals  
4 that Mr. Osborne referred to. All of the return receipt  
5 cards were, in fact, returned. They got a copy of the  
6 notice of hearing, including a copy of the Application.

7 We would request the introduction of Exhibit 13  
8 at this time.

9 EXAMINER ASHLEY: Exhibit 13 will be admitted as  
10 evidence.

11 MR. KELLAHIN: Our next witness is Mr. Mike  
12 Miller.

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

16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q. Mr. Miller, for the record, sir, would you please  
19 state your name and occupation?

20 A. My name is Mike Miller, petroleum geologist.

21 Q. Mr. Miller, on prior occasions have you testified  
22 before the Division as an expert petroleum geologist?

23 A. Yes, I have.

24 Q. Pursuant to your employment by Matador, have you  
25 made a geologic investigation of the potential risk

1 involved in drilling a well to the formations discussed in  
2 a proration unit consisting of the south half of Section  
3 31?

4 A. Yes, I have.

5 MR. KELLAHIN: We tender Mr. Miller as an expert  
6 geologist.

7 EXAMINER ASHLEY: Mr. Miller is so qualified.

8 Q. (By Mr. Kellahin) Mr. Miller, before we talk  
9 about your three exhibits, let's talk about your ultimate  
10 conclusion.

11 Were you asked to determine what, in your  
12 opinion, would be an appropriate risk factor penalty to  
13 assess against any nonconsenting interest owner that is  
14 subject to the force-pooling application and order?

15 A. Yes, in this case it would be the maximum.

16 Q. Can you describe for us your basic reasons to  
17 support a recommendation of the maximum penalty?

18 A. The nature of the drill site. The location is a  
19 wildcat, as filed with the OCD.

20 Q. Let's look at the various formations. If you  
21 were to assess the formations or portions of pools that are  
22 the most likely to be productive, what would they be, sir?

23 A. Starting with the shallowest primary objective,  
24 the Atoka, Exhibit 14.

25 Q. Let's start with that one. Let's look at the

1 Atoka. When we look at Exhibit 14, this is a display  
2 prepared by you?

3 A. Yes, it is.

4 Q. How would we be able to identify on this display  
5 those wells that produce from the Atoka?

6 A. By the orange dots, in this case in the northeast  
7 corner of the map.

8 Q. Of all the sections shown on this display, there  
9 are only two Atoka wells that produce?

10 A. Yes.

11 Q. Give us a general regional sense of how you have  
12 constructed this map.

13 A. This has been constructed from a set of regional  
14 maps that exhibit north-south-trending channel systems  
15 within the Atoka sands.

16 Q. Your proposed location is approximately two miles  
17 away from the Atoka production?

18 A. Correct.

19 Q. What is your objective?

20 A. The -- Actually a series of three primary  
21 objectives, upper, middle -- excuse me, Atoka, middle and  
22 lower Morrow.

23 Q. With the absence of production in the vicinity of  
24 your location, how were you able to construct an  
25 interpretation like this?

1           A.    There are a number of wellbores which have  
2 penetrated the Atoka formation to the north in Section 30  
3 of our location, and -- as well in the township to the  
4 south, in 19-31, Sections 17 and 18. These wells have  
5 evaluated the Atoka, but there is no existing production.

6           Q.    Your opinion about the Atoka risk, then, is what,  
7 sir?

8           A.    It's high risk.

9           Q.    Let's look at the next interval. Exhibit 15 is  
10 the middle Morrow sand isopach?

11          A.    Correct.

12          Q.    When we look at this display, how will we be able  
13 to identify those wells on this display that have produced  
14 or are currently producing from the middle Morrow sand?

15          A.    They are the blue dots on your map.

16          Q.    What is your assessment of the risk involved for  
17 obtaining production from the middle Morrow sand?

18          A.    Again, a wildcat situation, high risk, high  
19 degree of risk.

20          Q.    Finally, when we look at the lower Morrow sand  
21 map on Exhibit 16, how will we identify those wells that  
22 currently produce or have produced from the lower Morrow  
23 sand?

24          A.    Those wells are indicated by a green dot.

25          Q.    In all instances, in all three of these maps,

1     there is a substantial distance between production and your  
2     well location?

3             A.     That's correct.

4             Q.     When you add these all together, are you still  
5     involved in a well that justifies the maximum risk-factor  
6     penalty?

7             A.     Yes, we are.

8             MR. KELLAHIN:   That concludes my examination of  
9     Mr. Miller.

10            We move the introduction of his Exhibits 14, 15  
11     and 16.

12            EXAMINER ASHLEY:   Exhibits 14, 15 and 16 will be  
13     admitted as evidence at this time.

14                                 EXAMINATION

15     BY EXAMINER ASHLEY:

16            Q.     Mr. Miller, I'm looking at Exhibit Number 14.  
17     And the two wells in Section 30 of 18 South, 31 East, where  
18     do those produce from?

19            A.     The two wells in Section 30?

20            Q.     Yes.

21            A.     Actually, there are three wells in Section 30.

22            Q.     Okay, that's right.

23            A.     The two -- Well, let's start with the northwest  
24     quarter. The northwest quarter is a Wolfcamp producer, as  
25     well as the well in the southwest quarter, a Wolfcamp



1 producer.

2 The well in the northeast quarter is a middle  
3 Morrow producer.

4 And the well in the northwest quarter is dually  
5 completed with -- in the lower Morrow and the Wolfcamp, as  
6 you can see on Exhibit 16.

7 Q. Were any of those wells tested in the Atoka?

8 A. None of those wells were tested in the Atoka. Of  
9 course, logs were run across that zone.

10 Q. What about the well in Section 25?

11 A. That is a location.

12 EXAMINER ASHLEY: Okay. I have no further  
13 questions. You may be excused.

14 MR. KELLAHIN: That concludes our presentation,  
15 Mr. Examiner.

16 EXAMINER ASHLEY: Case 12,115 will be taken under  
17 advisement.

18 (Thereupon, these proceedings were concluded at  
19 8:55 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 12115  
heard by me on 1-7 1999.  
 , Examiner  
Oil Conservation Division

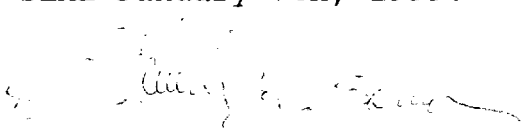
## CERTIFICATE OF REPORTER

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 January 7th, 1999.

  
\_\_\_\_\_  
STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002