

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. 12,274
)
APPLICATION OF DAVID H. ARRINGTON OIL)
AND GAS, INC., FOR COMPULSORY POOLING)
DIRECTIONAL DRILLING AND AN UNORTHODOX)
WELL LOCATION, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 4th, 1999

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, November 4th, 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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November 4th, 1999
 Examiner Hearing
 CASE NO. 12,274

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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 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:05 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 12,274, the Application of David H. Arrington Oil and Gas,
5 Inc., for compulsory pooling directional drilling and an
6 unorthodox well location, Lea County, New Mexico.

7 Call for appearances in this case.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan. We represent David H. Arrington Oil
11 and Gas, Inc., in this matter, and I have two witnesses.

12 EXAMINER CATANACH: Okay, will the witnesses
13 please stand to be sworn in?

14 (Thereupon, the witnesses were sworn.)

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

18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q. Would you state your full name for the record?

21 A. My name is Dale Douglas.

22 Q. Where do you reside?

23 A. Midland, Texas.

24 Q. By whom are you employed?

25 A. I'm self-employed.

1 Q. What is your current relationship with David H.
2 Arrington Oil and Gas, Inc.?

3 A. I'm a contract landman.

4 Q. Are you the landman that has been responsible for
5 the land issues concerning the compulsory pooling
6 Application before the Division in this matter?

7 A. Yes, sir.

8 Q. Have you previously testified before this
9 Division?

10 A. Yes, sir.

11 Q. At the time of that testimony were your
12 credentials as an expert in petroleum land matters accepted
13 and made a matter of record?

14 A. Yes, sir.

15 Q. Are you familiar with the Application filed in
16 this case?

17 A. Yes, sir.

18 Q. And are you familiar with the status of the lands
19 in the subject pooling -- the unit which is the subject of
20 the Application and the offsetting properties?

21 A. Yes, sir.

22 MR. CARR: Are Mr. Douglas's qualifications
23 acceptable?

24 EXAMINER CATANACH: They are.

25 Q. (By Mr. Carr) Would you briefly summarize for

1 Mr. Catanach what it is that Arrington seeks with this
2 Application?

3 A. Yes, sir, we're -- Mr. Arrington is seeking an
4 order pooling all of the minerals from the surface to the
5 base of the Wolfcamp formation under the southeast quarter
6 of the northeast quarter of Section 29, Township 15 South,
7 Range 36 East, in Lea County, New Mexico. This tract would
8 be dedicated to the Prince Nymph Well Number 1-A.

9 The well will be re-entered at its surface
10 location, which is 2308 feet from the south line and 943
11 feet from the east line, which is located in Unit I of
12 Section 29. It will be kicked off and directionally
13 drilled in a northerly direction to an unorthodox
14 bottomhole location, which will be within 50 feet of a
15 point located 2440 feet from the north line and 866 feet
16 from the east line, which is in Unit H, Section 29.

17 The bottomhole location, however, will not be
18 closer than 200 feet to the southern boundary of this 40-
19 acre tract.

20 Q. The original Prince Nymph Number 1 was 200 feet
21 from the common lease line; is that right?

22 A. That is correct.

23 Q. And you're going to directionally drill from that
24 wellbore to the north, and you will be at least 200 feet,
25 again, from that common boundary?

1 A. That's correct.

2 Q. Let's go to Exhibit Number 1, and I'd ask you,
3 Mr. Douglas, to identify this and review the information on
4 the exhibit for Mr. Catanach.

5 A. Okay. Exhibit Number 1 is a plat which shows the
6 land in the area where the Prince Nymph Number 1 well and
7 the bottomhole location is located.

8 The southeast quarter of Section 29, which has
9 the stippling around it, is a 40-acre tract that shows the
10 bottomhole location with the footages spaced off, which is
11 2440 feet from the north line of the section and 866 feet
12 from the east line of the section, which also places that
13 bottomhole location 200 feet north of the south line of
14 that 40-acre tract.

15 Just to the south of it, we've also indicated a
16 40-acre tract, which is the northeast quarter of the
17 southeast quarter where the original well was drilled. It
18 was drilled at that surface location, and its bottomhole
19 location was likewise 200 feet from the north line of that
20 40-acre tract.

21 Over on the right-hand side of the plat I have
22 listed the status of the land, some unleased mineral
23 owners, some uncommitted leasehold owners and then who the
24 committed acreage owners are, along with the percentages of
25 ownership.

1 I've also sited on this plat or shown the current
2 owners of the minerals and/or leasehold estate in the 40-
3 acre tract where the surface location is located for the
4 Prince Nymph Number 1 well.

5 Q. The Prince Nymph Number 1 was drilled by Mr.
6 Arrington earlier this year?

7 A. That is correct, yes, sir.

8 Q. And that was a dryhole?

9 A. It was drilled to the Strawn formation, and it
10 was plugged as a dryhole.

11 Q. What is the current status of Mr. Arrington's
12 efforts to acquire the rights to use the surface and that
13 old wellbore for the purposes of developing reserves from
14 the northern tract?

15 A. Okay, Mr. Arrington currently owns a portion of
16 the leasehold estate under the 40-acre tract where the --
17 surface, where the well is located. It's therefore our
18 opinion right now that he has the ownership of that
19 wellbore by virtue of those leases.

20 However, when those leases expire, that wellbore
21 will revert to the surface owner, and we're negotiating
22 with the surface owner to acquire a surface lease to
23 utilize that wellbore at such time as this lease expires,
24 and we expect to have that agreement signed in the next two
25 weeks.

1 Q. And are you experiencing any problems at all in
2 negotiating this agreement with the surface owner?

3 A. None whatsoever.

4 Q. What is the status of the acreage we're seeking
5 to pool?

6 A. The acreage that we're seeking to pool, the 40-
7 acre tract, Mr. Arrington has the lease hold ownership
8 under 68 -- a little over 68 percent of that tract. There
9 are some unleased mineral owners which own 2-1/2 percent,
10 or 2-1/2 percent of the acreage, and then there are some
11 uncommitted leasehold owners who have not committed to
12 participate in the well, nor have we reached an agreement
13 with them.

14 Q. What is the primary objective in the well?

15 A. The Wolfcamp formation.

16 Q. Would you identify Exhibit Number 2?

17 A. Exhibit Number 2 is a listing of the specific
18 parties and their ownership that I just mentioned, the
19 unleased mineral owners, the uncommitted leasehold owners,
20 that will be under this tract that we are attempting to
21 pool.

22 Q. Have you been able to locate all individuals who
23 own an interest in the property?

24 A. Yes, sir, we have.

25 Q. Now, Mr. Arrington has 68 percent of the working

1 interest in this tract?

2 A. That's correct.

3 Q. You have been in communication with Bahlburg
4 Exploration concerning this matter, have you not?

5 A. That's correct.

6 Q. What is the status of those negotiations?

7 A. When we originally proposed this well, we had
8 talked about taking 20 acres out of the current 40-acre
9 tract that the well is located on and including 20 acres
10 from the 40-acre tract to the north to make our 40-acre
11 unit.

12 Mr. Bahlburg objected to that and had basically
13 said that since the original well was 200 feet off his
14 lease line, he felt like that we should move the bottomhole
15 location -- or include the 40-acre tract under which he
16 owns the leases as the 40-acre unit for the well.

17 We agreed to do that.

18 Q. At this time, Mr. Bahlburg has, or in the last
19 week, contacted Arrington, and I believe the Division,
20 indicating that he believes an agreement is about to be
21 reached; is that correct?

22 A. Yes, he has mailed a letter to us stating that he
23 does not want to participate in the well but that he would
24 want to farm out his interest.

25 Q. At this point in time, has an agreement been

1 finalized with Mr. Bahlburg?

2 A. No, it has not.

3 Q. What about the status of negotiations with Anson
4 Energy Corporation?

5 A. We have spoken on a couple of different occasions
6 with Anson, as well as the letters that we have sent them.
7 Their position is basically to wait and see what kind of
8 penalty they will be faced with, the cost associated with
9 that, and make their decision once they receive notice from
10 the Division.

11 Q. At this time, no agreement has been reached with
12 Anson?

13 A. No agreement has been reached.

14 Q. If agreements are reached with any of the parties
15 subject to the pooling, will Arrington advise the Division
16 as soon as that agreement is reached so they -- on the
17 record, or there will be records that reflect they're not
18 subject to the pooling application?

19 A. Yes, sir, we will.

20 Q. Generally summarize the efforts you have made to
21 reach voluntary agreement with each of the individuals
22 shown on Exhibit 2.

23 A. We mailed the original offer letters to all the
24 parties, the unleased mineral owners and the leasehold
25 owners with whom we didn't have an agreement, asking that

1 they either participate in the drilling of this well or
2 reach an agreement with us on some sort -- to allow us to
3 drill the well as to their mineral interest or their
4 leasehold ownership.

5 We sent those letters out September the 8th. We
6 sent a follow-up letter on October the 11th, which
7 basically reflected the acquiescence to Mr. Bahlburg's
8 request that we include the 40 acres to the north as the
9 unit and have made a couple of phone calls and talked to
10 some of these folks on the phone to reach an agreement.

11 Q. In your opinion, have you made a good-faith
12 effort to locate each individual affected by this
13 Application and obtain their voluntary participation in the
14 well?

15 A. Yes, we have.

16 Q. Is Exhibit Number 3 copies of the letters that
17 have been sent to these individuals which reflect your
18 efforts to reach a voluntary agreement?

19 A. Yes, sir, they are.

20 Q. Could you identify Arrington Exhibit Number 4?

21 A. Exhibit Number 4 is a copy of the AFE that has
22 been prepared for the re-entry of this wellbore and the
23 directional drilling associated -- and the costs associated
24 with that. This is the AFE that we had attached and
25 included with each of these letters that we sent to the

1 parties asking for their participation.

2 Q. And what are the costs as reflected on this
3 exhibit?

4 A. In utilizing the existing wellbore, we think that
5 -- our estimate is that to get to the bottomhole location
6 will cost \$283,500.

7 Q. I think if you look at Exhibit 4, is this for the
8 original Prince Nymph Number 1? Is that the AFE that you
9 have, or is it for the re-entry?

10 A. This is for the re-entry.

11 MR. CARR: Okay, in my set -- Do you have one
12 that shows the re-entry costs, Mr. Catanach?

13 EXAMINER CATANACH: Yes, I do.

14 MR. CARR: Okay. Mine reflects the original
15 costs.

16 Q. (By Mr. Carr) What are the re-entry costs?

17 A. The re-entry costs are \$283,500.

18 Q. The original costs for the well were \$596,000; is
19 that not correct?

20 A. I don't have that AFE with me. I believe this
21 AFE that we have here is still -- is for the re-entry.

22 Q. All right.

23 A. Yes, sir.

24 Q. In fact, what we are going to be able to do is
25 effect a very substantial savings by using the existing

1 wellbore and directionally drilling as you are proposing;
2 is that not correct?

3 A. That is correct.

4 Q. And we will be calling another witness to review
5 the risk associated with this effort, which, when compared
6 to the cost, will show why Mr. Arrington is proposing to go
7 -- take this route?

8 A. That is correct. We expect to have substantial
9 savings in utilizing existing wellbore.

10 Q. Is Exhibit Number 5 a copy of an affidavit
11 confirming that notice of this Application has been
12 provided in accordance with Oil Conservation Division
13 Rules?

14 A. Yes, sir, it is.

15 Q. Was notice provided to all those who are subject
16 to pooling?

17 A. Yes, sir.

18 Q. And was notice provided to affected offsets?

19 A. Yes, sir, it was.

20 Q. Have you made an estimate of the overhead and
21 administrative costs to be incurred while drilling this
22 well and also while producing it, if it is successful?

23 A. Yes, sir, we have. The rates would be \$6000 a
24 month for the drilling rate and \$600 a month for the
25 producing well rate.

1 Q. What is the basis for these figures?

2 A. These are the figures that were utilized in a
3 recent Division Order Number R-11,178, in April of 1999,
4 for a similar well in the southwest quarter of Section 35
5 of 15 South, 35 East, which is in this general area where
6 this well is located, in which Arrington was a nonoperating
7 working interest owner.

8 Q. That's the Beadle well that was drilled by
9 Energen in the West Lovington-Strawn Unit?

10 A. That's correct.

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

14 A. Yes, sir.

15 Q. Does David H. Arrington seek to be designated
16 operator of the well?

17 A. Yes, sir, he does.

18 Q. Were Exhibits 1 through 5 either prepared by you
19 or compiled under your direction and supervision?

20 A. Yes, they were.

21 MR. CARR: May it please the Examiner, at this
22 time we would move the admission into evidence of Arrington
23 Exhibits 1 through 5.

24 EXAMINER CATANACH: Exhibits 1 through 5 will be
25 admitted as evidence.

1 MR. CARR: And that concludes my direction
2 examination of Mr. Douglas.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Douglas, I'm a little unclear on the drilling
6 costs. Are you seeking recover only the directional
7 drilling and re-entry costs and not any of the original
8 drilling costs?

9 A. That is correct.

10 Q. Okay. And let me ask you, there's reference made
11 in a Bahlburg letter that was sent to us about a letter he
12 sent to you offering to farm out his interest.

13 A. That is correct.

14 Q. Is that the last letter -- Is that the October
15 19th letter that he's talking about?

16 A. That's probably correct. We've had it about a
17 week to ten days.

18 Q. Do you know at this point whether or not his
19 terms are going to be acceptable to your company?

20 A. No, I do not. I can speculate that -- right now
21 that they're not acceptable, based upon the risk associated
22 with the drilling of the well.

23 Q. Okay. For the record, we've also received a
24 letter from Gary Lamb, Incorporated, which essentially
25 states that the interests of Gary Lamb, the interests of

1 Magnolia Royalty Company and the interest of J.M. Mineral
2 and Land Company -- they seek to be excluded from the force
3 pooling on the basis that they will also seek to have the
4 same agreement, seek to make an agreement with your company
5 on the same terms that Bahlburg has proposed. Is that your
6 understanding of the current situation with those parties?

7 A. We have not received any word from Lamb, J.M.
8 Mineral or Magnolia. We have received two letters, one
9 from Mr. Bahlburg and one from DALCO Petroleum, which
10 basically are identical letters. It's our understanding
11 from knowing these guys that they are basically --
12 generally operate as one group.

13 But the only letters that we had received was Mr.
14 Bahlburg's, and then I'd say a week later we received one
15 from DALCO. I was not aware of the letter from Mr. Lamb.

16 Q. Okay.

17 A. We'll continue to try to negotiate an acceptable
18 agreement. What that will be, I'm not sure.

19 Q. With all of these parties?

20 A. Yes. I guess the issue would be what will be
21 deemed acceptable to both parties.

22 Q. Do you anticipate reaching an agreement with
23 these parties?

24 A. We anticipate reaching an agreement with Anson.
25 The other six, I would say that there's a small chance.

1 Q. And do you guys believe you've given them
2 sufficient time to negotiate an agreement with you?

3 A. Yes.

4 Q. When did these negotiations actually start?

5 A. September, early September.

6 EXAMINER CATANACH: Okay, that's all I have of
7 this witness. You may be excused.

8 MR. CARR: At this time we call Bill Baker.

9 BILL D. BAKER, JR.,

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

12 DIRECT EXAMINATION

13 BY MR. CARR:

14 Q. Would you state your name for the record?

15 A. Bill Baker.

16 Q. Where do you reside?

17 A. Midland, Texas.

18 Q. By whom are you employed?

19 A. David H. Arrington Oil and Gas.

20 Q. And what is your position with Mr. Arrington?

21 A. His exploration manager.

22 Q. Have you previously testified before this
23 Division?

24 A. Yes, sir, I have.

25 Q. And were you qualified as an expert witness at

1 that time?

2 A. Yes, sir, I was.

3 Q. Were you qualified as an expert in petroleum
4 geology?

5 A. Yes, sir, I have been.

6 Q. Are you familiar with the Application filed in
7 this case?

8 A. Yes, sir, I am.

9 Q. Have you made a technical study of the area which
10 is the subject of the Application?

11 A. Yes, sir, I have.

12 Q. And are you prepared to share the results of that
13 work with Mr. Catanach?

14 A. Yes, sir, I am.

15 MR. CARR: Are the witness's qualifications
16 acceptable?

17 EXAMINER CATANACH: Yes, sir.

18 Q. (By Mr. Carr) I think it would be helpful, Mr.
19 Baker, if you initially review for Mr. Catanach Arrington's
20 efforts to develop the reserves in the east half of this
21 section.

22 A. Okay. Mr. Catanach, if you would look at Exhibit
23 6, this is basically a two-well cross-section. On the
24 right-hand side you will see a well called the Trice Fisher
25 1 A. This is the well that is the key well that set the

1 original prospect up last November or December. This well
2 was drilled by Trice Exploration back in 1959 as a Strawn
3 test.

4 If you'll look on the right-hand side over there
5 in red, you will see some drill stem tests and some
6 completion information in what we call the Lower Wolfcamp
7 Second Brother "A". You can see that this Trice well
8 drill-stem tested this Upper Wolfcamp, tested oil to the
9 pits at a rate of 40 to 50 barrels of oil per hour, had
10 excellent shut-in pressures. They did attempt a completion
11 in this and they swabbed water and oil, and it's believed
12 that through a channel system -- in which they didn't help
13 with their acid job in here, they never could make a
14 commercial well.

15 So based on this, what we had hoped to do with
16 our original geology and our original prospect was just
17 simply gain some structure to this well in moving to the
18 south and hope to encounter this same porosity in an updip
19 location and be able to make a commercial well and recover
20 the hydrocarbons that we believed to be in this particular
21 formation.

22 Down at the bottom of my cross-section, I put a
23 little inset right there, which is actually an isopach on
24 the Second Brother 2 "A" Lime, and you can see where my
25 cross-section B-B' runs up there with relationship to the

1 Trice well and where our original Prince Nymph well was
2 drilled.

3 We drilled our Prince Nymph well back in January
4 of this year as a Strawn test but with the principal
5 objective being this Wolfcamp.

6 As you can see, basically the pinchout occurred
7 right at our wellbore. We encountered the carbonate
8 section but what appears to be only two to four feet of the
9 A Lime up in there, we drill stem tested it, recovered a
10 little bit of slightly gas-cut mud, we did recover 500 cc's
11 of oil, 1000 cc's of mud and 200 cc's of water in the
12 sample chamber.

13 If you'll look at the initial shut-in pressures
14 and finals, you'll note those pressures are relatively low.
15 That's indicative of a tight reservoir. We felt at this
16 particular time here, that to make a completion attempt
17 here you would end up with a noncommercial well. So the
18 well was subsequently plugged and abandoned.

19 It is our attempt to simply re-enter this
20 wellbore, kick off at a depth of 10,350 feet, and
21 directionally kick the well about 400 feet to the north in
22 an attempt to pick up these two porosity lobes again in a
23 very slightly updip location to where the original wellbore
24 is, and out far enough from the wellbore that we would not
25 see any type of old wellbore damage or anything that may

1 have transpired from the old completion attempt.

2 Q. Your objective in this well is the Second Brother
3 "A" --

4 A. Yes, sir.

5 Q. When the original well was drilled, were there
6 additional zones that were considered or at least hoped to
7 be prospective?

8 A. Yes, sir, if you'll notice on here, and at that
9 particular time we had broke out these lobes as an "A" and
10 a "B", and over in the Trice Fisher well, about where the
11 oil-water contact is, you'll see a second kind of carbonate
12 that occurs in there. We call that the Second Brother "B".

13 And what we had hoped to do was gain enough
14 structure to the south that maybe that "B" would also be
15 productive. Well, we didn't gain enough structure. So in
16 coming back to you now, we have precluded that the "B" zone
17 is no longer a prospective target for us. It's simply not
18 going to have enough structural advantage to have
19 commercial hydrocarbons. So we're strictly going after the
20 Second Brother "A" carbonate.

21 Q. You only have one zone that you're --

22 A. Yes, sir, we've got one zone.

23 Q. -- interested in?

24 Are you prepared to make a recommendation to the
25 Examiner concerning the risk penalty that should be

1 assessed against those who do not voluntarily participate
2 in the well?

3 A. Yes, sir, based on the stratigraphic risk here,
4 we feel it ought to be the maximum, 200 percent.

5 Q. Do you believe there's a chance with this re-
6 entry you could drill a well that would be noncommercial?

7 A. Yes, sir, I do.

8 Q. If you were not able to use the existing wellbore
9 and directionally drill to this bottomhole location, would
10 you be able to economically drill to test this horizon?

11 A. No, sir, we believe that the reserves here have
12 now shrunk to a small enough number that it would not
13 justify drilling a brand-new vertical wellbore.

14 Q. In your opinion, will approval of this
15 Application and the re-entry and drilling of this
16 directional wellbore be in the best interest of
17 conservation, the prevention of waste and the protection of
18 correlative rights?

19 A. Yes, sir, I believe so.

20 Q. Was Exhibit prepared by you?

21 A. Yes, sir, it was.

22 MR. CARR: Mr. Catanach, at this time we would
23 move the admission into evidence of Arrington Exhibit 6.

24 EXAMINER CATANACH: Exhibit Number 6 will be
25 admitted as evidence.

1 MR. CARR: And that concludes my direct
2 examination of Mr. Baker.

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Baker, what is the danger of directionally
6 drilling to a standard bottomhole location?

7 A. Well, a standard bottomhole location would be
8 basically 330 off of this, and as we move back towards that
9 wellbore we run the risk of getting into any type of
10 communication with this old wellbore.

11 Plus we feel like you're moving continually
12 downdip. And I did not show you a structure map on this,
13 but as you move towards that old wellbore you are losing
14 structure. So we feel like the further back this way that
15 we can kind of split the difference -- in other words,
16 keeping what we consider to be a reasonable stratigraphic
17 risk and the most structural, is the best place for us to
18 maximize hydrocarbon potential.

19 Q. Other than the Wolfcamp, are there any other
20 prospects within this wellbore?

21 A. No, sir, there is not. No other prospective
22 zones.

23 Q. Is this "A" section productive in this area at
24 all?

25 A. Yes, sir, it's probably not the predominant zone.

1 The predominant zone throughout this area is the "B", but
2 oh, probably six or seven miles to the south I drilled some
3 wells with the Manzano Oil Corporation down there in this
4 "A" zone, we found it in the stratigraphic position, and
5 it's very prolific. So while it is not regionally
6 extensive, when you do find it, it can have some prolific
7 reserves to it.

8 Q. So in this immediate area there isn't any
9 Wolfcamp production?

10 A. Well, the Read Alexander well there, which is
11 right off to the south of mine, drill-stem tested this very
12 interval right here, and they perforated it, and I think
13 they made about 1100 barrels out of it.

14 EXAMINER CATANACH: Okay, I have no further
15 questions of this witness.

16 MR. CARR: That concludes our presentation of
17 this case.

18 EXAMINER CATANACH: Mr. Carr, notice for this
19 hearing was provided to interest owners?

20 MR. CARR: Yes, sir.

21 EXAMINER CATANACH: How about --

22 MR. CARR: And the offsets.

23 EXAMINER CATANACH: -- with regards to the
24 unorthodox location, to the offset operator to the south,
25 who would be the Applicant?

1 MR. CARR: Arrington is the operator. To the
2 south -- Just a minute here. Anson, and Arrington is the
3 operator to the south, also Anson. They were notified. I
4 mean, they have an interest in the well.

5 And the other interest owner is E.L. Brahaney,
6 and they were also notified.

7 So it covers all of the owners of the interest,
8 as well as Mr. Arrington, the operator in the tract to the
9 south.

10 EXAMINER CATANACH: Okay, that's what I needed to
11 know.

12 Is there anything further?

13 MR. CARR: That concludes our presentation.

14 EXAMINER CATANACH: There being nothing further,
15 Case 12,274 will be taken under advisement.

16 (Thereupon, these proceedings were concluded at
17 9:35 a.m.)

18 * * *

19
20
21 I do hereby certify that
22 the foregoing is a true and correct
23 copy of the proceedings of the
24 Off Conservation Division
25

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David Catant
Off Conservation Division

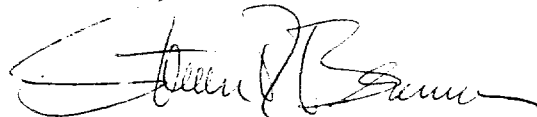
CERTIFICATE OF REPORTER

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 November 4th, 1999.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002