

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. 12,487

APPLICATION OF TEXACO EXPLORATION AND)
PRODUCTION, INC., FOR AN UNORTHODOX GAS)
WELL LOCATION, EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 7th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner on Thursday, September 7th, 2000, 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

September 7th, 2000
Examiner Hearing
CASE NO. 12,487

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>MICHAEL R. MULLINS</u> (Landman)	
Direct Examination by Mr. Carr	4
Examination by Examiner Catanach	11
<u>ROBERT MARTIN</u> (Geoscientist)	
Direct Examination by Mr. Carr	17
Examination by Examiner Catanach	23
Further Examination by Mr. Carr	28
REPORTER'S CERTIFICATE	29

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	11
Exhibit 2	6	11
Exhibit 3	7	11
Exhibit 4	10	11
Exhibit 5	11	11
Exhibit 6	18	22
Exhibit 7	20	22

* * *

A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
 Suite 1 - 110 N. Guadalupe
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 11:52 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 12,487, the Application of Texaco Exploration and
5 Production, Inc., for an unorthodox gas well location, Eddy
6 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 Texaco Exploration and
11 Production, Inc., and I have two witnesses.

12 EXAMINER CATANACH: Any additional appearances?
13 Will the witnesses please stand to be sworn in?
14 (Thereupon, the witnesses were sworn.)

15 MR. CARR: At this time, we call Mike Mullins.

16 MICHAEL R. MULLINS,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. CARR:

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

22 A. It's Michael R. Mullins, M-u-l-l-i-n-s.

23 Q. Where do you reside?

24 A. In Midland, Texas.

25 Q. By whom are you employed?

1 A. With Texaco Exploration and Production, Inc.

2 Q. What is your position with Texaco?

3 A. Landman in the Hobbs asset team.

4 Q. Mr. Mullins, have you previously testified before
5 this Division and had your credentials as an expert in
6 petroleum land matters accepted and made a matter of
7 record?

8 A. Yes, I have.

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

11 A. Yes, I am.

12 Q. Are you familiar with the status of the lands in
13 the area which is the subject of this Application?

14 A. Yes, I am.

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

17 EXAMINER CATANACH: They are.

18 Q. (By Mr. Carr) Mr. Mullins, would you briefly
19 review for Mr. Catanach what it is Texaco seeks with this
20 Application?

21 A. Yes, sir. We're seeking an order approving an
22 unorthodox gas well location for our proposed Cotton Draw
23 Unit Well Number 89 in the Wolfcamp formation, the
24 Undesignated Big Sinks-Wolfcamp Gas Pool, at a location 250
25 feet from the south line and 1980 feet from the east line,

1 Unit 0 of Section 3, Township 25 South, Range 31 East, Eddy
2 County, New Mexico.

3 Q. What acreage will be dedicated to this well?

4 A. It will be a standard 319.38-acre spacing unit
5 comprised of Lots 1 and 2, the south half of the northeast
6 quarter, and the southeast quarter, which is the east-half
7 equivalent, will be dedicated to this well.

8 Q. Are there special rules in effect for the Big
9 Sinks-Wolfcamp Gas Pool?

10 A. No, there are not, so we'll be governed by
11 statewide rules, which would be 320-acre spacing, 660-foot
12 setbacks from the outer boundary of the dedicated quarter
13 section upon which the well is located. Our well is
14 located 250 feet from the southern boundary of the spacing
15 unit, instead of 660 feet, so we are 67 percent closer than
16 permitted by the statewide rules.

17 Q. Could you identify what has been marked as Texaco
18 Exhibit Number 1?

19 A. Yes, sir, Exhibit 1 was our application dated May
20 23 of 2000, where we sought the approval for the proposed
21 unorthodox well location in the Wolfcamp formation.

22 Q. That was your administrative application?

23 A. Yes, sir.

24 Q. Would you identify Exhibit 2?

25 A. Exhibit 2 was the response from the OCD, dated

1 May 25th, 2000, denying our requests because it was deemed
2 unreasonable.

3 Q. Now let's go to Exhibit Number 3. Would you
4 identify and review this, please?

5 A. Yeah, Exhibit Number 3 is a plat made off a
6 Midland Map Company map for Eddy County, New Mexico.
7 Colored in yellow is basically the majority of the Cotton
8 Draw Unit. There are a couple other tracts farther over to
9 the east in Lea County, New Mexico, but this is the
10 majority, the meat of the Cotton Draw Unit.

11 All the acreage colored in yellow are owned
12 equally by Texaco and Devon Energy Production Company out
13 of Oklahoma City.

14 Outlined in red is our proposed proration unit,
15 319.38-acre proration unit.

16 Also identified is the location of the well as
17 spotted by Midland Map Company.

18 It also identifies the offset operators. Just to
19 the west of our acreage is the Poker Lake Unit, operated by
20 Bass Enterprises Production Company from Fort Worth.
21 Therefore, they are the operators of the west half of
22 Section 3 and the west half of Section 10.

23 Texaco is listed -- Actually, Texaco and Devon
24 are the owners of the northeast quarter of Section 10.

25 Highlighted in blue is a 40-acre tract owned by

1 Concho Resources, Inc., out of Midland, Texas, in the
2 northwest-southeast of Section 10.

3 Q. Now, in terms of the ownership in this area, is
4 the ownership in the east half of the southeast quarter of
5 Section 3 common with the ownership in the northeast
6 quarter of Section 10, immediately to the south of it?

7 A. Yes, it is. Yes, it is. There's three federal
8 leases in the east half of 10 and -- three federal leases
9 in the east half of Section 10, and the one lease covering
10 the east half, southeast of 3, is the identical lease as
11 covers the northeast of Section 10.

12 Q. And so what we're doing is with the -- when we
13 dedicate the acreage to well -- The spacing unit, though,
14 is actually committed to the unit, is it not?

15 A. Yes, sir, the east half of Section 3 is included
16 in the Cotton Draw unit.

17 Q. And so what we have is, we have common owners in
18 the proposed well, royalty, working and override, but the
19 percentages would be different?

20 A. Yes, sir. The royalty is all owned by the
21 federal government; they're all BLM, USA lands. So the
22 one-eighth royalty is owned by the BLM, in all of Section 3
23 and all of Section 10. There are slight differences, very,
24 very slight differences, in the overriding royalty owners.

25 Q. Are there operators or interest owners on whom

1 the well encroaches who are entitled to notice under Oil
2 Conservation Division rules?

3 A. The well encroaches to the south, and that would
4 be a Texaco-Devon tract. And also, I guess, if you
5 included the whole east half of 10 that would include
6 Concho also, Concho Resources, Inc.

7 Q. Have you reviewed this Application with the
8 federal government, with the BLM?

9 A. Yes, I discussed it with Armando -- What is it?

10 Q. Lopez?

11 A. Armando Lopez. And they have no problems with
12 the Application. In fact, they're waiting to work on
13 theirs as soon as the unorthodox location is approved, or
14 work on the application for drilling.

15 Q. When we get to the technical portion of the case,
16 we'll show the reason for the well location. But if you
17 were to try and move this location further to the south,
18 you're going to be in a situation with a pod or small
19 reservoir that basically crosses that section line, isn't
20 that correct?

21 A. Yes, sir.

22 Q. And if you were to drill a well on the south side
23 of the line you'd be looking at a virtually equally
24 unorthodox well location with the east half of Section 10
25 dedicated to it; is that right?

1 A. Right, yes, sir. Yes, sir. We had the same
2 problem on either side of the line.

3 Q. Is Exhibit Number 4 an affidavit confirming that
4 notice of this Application was provided to affected
5 interest owners in accordance with Oil Conservation
6 Division rules?

7 A. Yes, it is.

8 Q. And who was notified?

9 A. We notified Bass Enterprises Production out of
10 Forth Worth, we notified Concho Resources, Inc., and then
11 we also went so far as notifying the Texaco and Devon
12 overriding royalty owners in the east half of Section 10.

13 Q. And that's because they were your own royalty
14 interest owners, and --

15 A. Yes, sir.

16 Q. -- you gave them notice?

17 Have you received any response to the notice that
18 was provided?

19 A. No, we have not. We did receive a waiver from
20 Bass Enterprises Production Company and from Concho
21 Resources, Inc.

22 Q. And you have been in communication with Devon
23 and, in fact, they're your partner in this; is that --

24 A. Yes, and we have a letter also, I guess, of
25 support, I'm not sure, included in here. Devon has given

1 us a letter of support. It's also --

2 Q. Is that also included in Exhibit Number 5?

3 A. Yes, it is.

4 Q. So Exhibit Number 5 is the waiver from Bass,
5 waiver from Devon and the waiver from Concho?

6 A. Right, right.

7 Q. Will Texaco call a technical witness to review
8 the reasons for this particular proposed unorthodox
9 location?

10 A. Yes, we will.

11 Q. Were Exhibits 1 through 5 prepared by you or
12 compiled under your direction?

13 A. Yes, they were.

14 MR. CARR: At this time, Mr. Catanach, we would
15 move the admission into evidence of Texaco Exhibits 1
16 through 5.

17 EXAMINER CATANACH: Exhibits 1 through 5 will be
18 admitted as evidence.

19 MR. CARR: And that concludes my direct of Mr.
20 Mullins.

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Okay. Mr. Mullins, the Cotton Draw Unit is shown
24 by the dashed lines; is that correct?

25 A. It's the acreage basically shaded in yellow, and

1 it's -- by the dashed line it goes over into Lea County,
2 New Mexico, also.

3 Everything colored in yellow, shaded in yellow,
4 is within the Cotton Draw Unit. There are a couple of
5 tracts over in Lea County that were within participating
6 areas.

7 It contracted in 1970 to the then-existing
8 participating areas, and this is the acreage that's shaded
9 on your plat.

10 Q. Okay. And within the Cotton Draw Unit, Texaco
11 and Devon are the only working interest owners?

12 A. In this portion that's shaded in yellow, yes, we
13 are.

14 Now, there are a couple other tracts a little
15 farther to the east that were the Delaware sand
16 participating areas, that there are other owners.

17 Q. Okay.

18 A. But it's all Texaco and Devon, 50-50, in the
19 acreage shaded in yellow.

20 Q. And is this all federal acreage?

21 A. No, the Cotton Draw Unit is not all federal. You
22 can see Section 2 is state land, Section 36 is state land.
23 It predominantly is federal, but there are a few state
24 tracts in there.

25 Q. So there's different royalty interest owners?

1 A. Yes, yes.

2 Q. Is there any fee acreage in there?

3 A. No, sir, not that I'm aware of.

4 Q. State and federal?

5 A. State and federal, but predominantly federal.

6 Q. Okay. So the east half of Section 3, is that a
7 federal lease?

8 A. Yes, there are actually three separate federal
9 leases.

10 Q. Okay. Is there, in fact, a Wolfcamp PA in this
11 unit?

12 A. There was one back in -- I don't have the exact
13 date, but there was one that covered all of Section 2. But
14 that well has ceased to produce, I believe. It was the
15 Number 65 well, it produced from the Wolfcamp. There was a
16 Wolfcamp and Morrow participating areas that were
17 established in the 1960s. That well has ceased to produce.

18 We do have -- As you'll hear from the next
19 witness, we do have a well that's producing, the Cotton
20 Draw Number 87 well. That participating area will have to
21 be enlarged.

22 I've talked to John Kimetz with the BLM in
23 Roswell, and we will have to -- according to what he tells
24 me, we will be enlarging that original participating area.

25 Q. Okay, so all of Section 2, and then you would

1 have to enlarge it to accommodate what acreage?

2 A. To accommodate whatever acreage is deemed
3 productive in the Wolfcamp formation.

4 Q. But you said the Well Number 87. Where is that?

5 A. Well Number 87 on this plat is in the northeast
6 quarter of Section 11, just south of Section 2.

7 Q. Northeast quarter of Section 11.

8 A. It's right on the line.

9 Q. So they would have to maybe include the north
10 half, is that what you're saying?

11 A. Right. We'll have to present geological evidence
12 to the BLM in Roswell when the participating area is
13 enlarged, and we anticipate that it will be enlarged
14 because the 87 has made a well.

15 Q. Okay, and if you drill a successful well on the
16 east half of Section 3 it will probably take in that
17 acreage?

18 A. Yes, sir.

19 Q. Okay, so those interest owners in the Wolfcamp PA
20 will be sharing in the production from all those wells?

21 A. Yes, sir.

22 Q. Okay. Now, the interest in the northeast quarter
23 of Section 10, you said that was Texaco and Devon also?

24 A. Yes, sir, working -- leasehold owners.

25 Q. And that's a federal lease?

1 A. Yes, sir.

2 Q. So there's just federal royalty. But there is
3 overrides?

4 A. Yes, sir.

5 Q. In the northeast of 10?

6 A. And that's -- which is the same lease as in the
7 east half, southeast of 3.

8 Q. East half of the southeast.

9 A. There were a total of seven overriding royalty
10 owners we notified. Four of the seven owned also in the
11 east half of Section 3, east half, southeast of 3.

12 The other leases Texaco owns in the east half of
13 10 is the south half, southeast, and the northeast-
14 southeast. That's another federal lease.

15 Q. And that's not the same interest as the northeast
16 quarter?

17 A. No. No, it's a separate lease.

18 Q. Are there any overrides in that area?

19 A. Yes, and we notified those. There were three
20 owners in there.

21 Q. In the --

22 A. -- south half, southeast, northeast-southeast.
23 That's one federal lease.

24 Q. Okay. So all the overrides in the east half of
25 10 were notified?

1 A. Everybody under the Texaco Devon tracts.

2 Q. Okay, then that leaves Concho?

3 A. Right.

4 Q. And you notified Concho?

5 A. Right, and they provided us with a waiver.

6 Q. Okay, now I'm getting it.

7 A. And to the west of our acreage is the Poker Lake
8 Unit, which is noted by the dashed line.

9 Q. And the west half of Section 10 is within another
10 federal unit?

11 A. The Poker Lake Unit.

12 Q. And you notified Bass?

13 A. Yes, and we have their waiver.

14 Q. You have a waiver from Bass?

15 A. Yes.

16 Q. And they also operate the west half of Section 3?

17 A. Yes, sir.

18 Q. Okay. And did any of the overriding royalty
19 interest owners express any concern about this location?

20 A. Not that I'm aware of.

21 EXAMINER CATANACH: I think that's all I have of
22 this witness.

23 MR. CARR: That concludes our examination of this
24 witness.

25 At this time we call Robert Martin.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ROBERT MARTIN,

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

DIRECT EXAMINATION

BY MR. CARR:

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

A. Robert Martin.

Q. Where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. Texaco.

Q. And what is your position with Texaco?

A. Geoscientist with the Hobbs asset team.

Q. Have you previously testified before this Division?

A. Yes.

Q. At the time of that testimony, were your credentials as an expert witness accepted and made a matter of record?

A. Yes.

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

A. Yes.

Q. Have you made a geological or geophysical review of the area surrounding the proposed well location?

1 A. Yes.

2 Q. Are you prepared to share the results of that
3 work with Mr. Catanach?

4 A. Yes, I am.

5 MR. CARR: Are the witness's qualifications
6 acceptable?

7 EXAMINER CATANACH: They are.

8 Q. (By Mr. Carr) Would you initially just describe
9 the Wolfcamp formation in this area?

10 A. Yes, the Wolfcamp is detrital sediments that are
11 fractured cherty limestones with low matrix porosity.

12 Q. Could you explain how this particular unorthodox
13 location was selected?

14 A. Yes, we utilized 3-D seismic to help us locate
15 the thicker zones of the Wolfcamp detrital, and it also
16 helps us to identify the potentially fractured enhanced
17 reservoir.

18 Q. At this location are both those conditions met --

19 A. Yes, they are.

20 Q. -- both the zone and fracture-enhanced reservoir?

21 A. Yes.

22 Q. Let's go to Exhibit Number 6. Would you identify
23 that, explain what it is and what it shows?

24 A. Exhibit 6 is an RMS amplitude Wolfcamp trend map.
25 RMS is a way for us to measure isolated or extreme

1 amplitude anomalies in the area, and it helps us to kind of
2 track lithologic changes.

3 The colors are the differences in the strength of
4 the amplitudes. As you can see, within the south half of
5 Section 3 there we have a nice yellow area which would
6 indicate to us good, fracture-enhanced reservoir rock, and
7 then there's another pod south of that, but in between
8 those two pods it begins to get into the blue areas, which
9 the reservoir really begins to decline.

10 Q. Do you believe there would be communication
11 between those pods, based on this mapping?

12 A. There is no communication, we believe.

13 Q. The blue on the map is nonproductive?

14 A. That is correct.

15 Q. When we look at the location of the Cotton Draw
16 Number 89 well, in your opinion is this well placed in the
17 thickest portion of the carbonate in this particular pod?

18 A. Yes.

19 Q. How does this location compare with the location
20 of the Texaco Cotton Unit Number 81, located in Section 2?

21 A. As you can see, the 81 was a dry hole drilled to
22 the Wolfcamp, and it is outside of what we would consider
23 to be the thicker, fractured type of reservoir in the
24 Wolfcamp.

25 Q. And this is the kind of location you're trying to

1 avoid?

2 A. Yes, it is.

3 Q. Is there, in your opinion, any legal location
4 available in the east half of this section from which you
5 could drill a well and attempt to complete it in these
6 formations?

7 A. No.

8 Q. This is the only location?

9 A. Yes.

10 Q. If we look at the Number 87 well in the
11 southeastern portion of this map, how does what we're
12 attempting to do here compare to that?

13 A. It is the same thing. We were trying to target
14 the thicker, more fractured reservoirs, and we placed the
15 87 154 feet east of the section line, and we were
16 successful with that well.

17 Q. The red line on this exhibit is a trace for
18 seismic line number 1?

19 A. That's correct.

20 Q. Is Exhibit 7 a copy of a portion of that seismic
21 line?

22 A. Yes, that is correct.

23 Q. Could you review the information on Exhibit 7?

24 A. I'd like to point your attention mainly to the
25 red line that is above the seismic there. That is an

1 amplitude-strength map. It's kind of a visual -- I mean an
2 amplitude-strength curve. It's a way for us to visually
3 display the stronger amplitudes.

4 As you can see, where the location for the 89 is,
5 a stronger amplitude. The 81 just missed the amplitude.
6 And the 87 is also in the stronger amplitude that we just
7 completed as a successful well.

8 Q. And so basically what this shows is, again we're
9 trying to hit the top of that curve or the top of the
10 amplitude, and in the 81 when you missed it, you were
11 unsuccessful in making a commercial well?

12 A. That is correct.

13 Q. If you are required to move the proposed location
14 toward a standard, what impact would that have on Texaco's
15 plans for developing the area?

16 A. We believe it would be a lot more difficult to
17 sell, due to the fact that reservoir would probably not be
18 as good and not be in commercial quantities for us.

19 Q. And you mean sell to your management?

20 A. That's correct.

21 Q. In your opinion, will moving the location toward
22 a standard, in fact, jeopardize the entire plan to develop
23 this acreage?

24 A. Yes, it would.

25 Q. Mr. Martin, what conclusions have you reached

1 from your review of the data on this particular location?

2 A. The proposed unorthodox location is the best
3 possible location from which to produce the Wolfcamp
4 reserves under this acreage, and that no other reasonable
5 location is available at this time.

6 Q. In your opinion, will granting this Application
7 and the drilling of the proposed well at this unorthodox
8 location be in the best interest of conservation, the
9 prevention of waste and the protection of correlative
10 rights?

11 A. Yes.

12 Q. In your opinion, if the Application is denied,
13 will waste result?

14 A. Yes.

15 Q. Is that because the reserves simply will not be
16 developed?

17 A. That is correct.

18 Q. Were Exhibits 6 and 7 prepared by you?

19 A. Yes.

20 MR. CARR: At this time Mr. Catanach, we would
21 move the admission into evidence of Texaco Exhibits 6 and
22 7.

23 EXAMINER CATANACH: Exhibits 6 and 7 will be
24 admitted as evidence.

25 MR. CARR: And that concludes my direct

1 examination of Mr. Martin.

2 EXAMINATION

3 BY EXAMINER CATANACH:

4 Q. Your Exhibit Number 6 is actually measuring the
5 thickness of this reservoir rock?

6 A. It's a way that we -- It does indicate thickness,
7 and it does indicate fracture porosity, yes. It's an
8 indication.

9 Q. So you're targeting the yellow section; is that
10 correct?

11 A. That is correct.

12 Q. And you said the blue sections would be
13 nonproductive?

14 A. As you begin to get into the blue sections it
15 would be noncommercial, would probably be a better way to
16 say it.

17 Q. Okay, so your pinks and your reds would tend to
18 be productive? Or is that not correct? When you move to
19 the other end of the scale, doesn't that suggest --

20 A. Oh, that would also suggest production. It's
21 just we're not on that extreme side of the scale in this
22 area. As you move into the pinks and the reds that's
23 thicker, better fracture porosity. As you move into the
24 lighter colors -- or the cooler colors, the blues and
25 purples, you lose the cherty limestones.

1 Q. Okay, so you're not showing any of that on this
2 map?

3 A. That's correct.

4 Q. Okay. So the only portion of this east half of
5 Section 3 that's going to be productive would be this
6 extreme southern portion of this east half?

7 A. Right.

8 Q. Have you done any geologic maps based upon the
9 seismic data?

10 A. Any geologic maps, no, sir.

11 Q. To show the actual thickness of the rock or
12 anything like that?

13 A. No.

14 Q. Do you have an estimate of how much pay or rock
15 thickness you're going to encounter?

16 A. I do not, no.

17 Q. So this is all just done on seismic?

18 A. It is the geophysical play, that is correct.

19 Q. And what's the lithology of this Wolfcamp here?

20 A. It's fractured, cherty limestones. Occasionally
21 you get some sands that appear in the limestones with the
22 chert.

23 Q. Now, does this display also demonstrate to you
24 the fracture of this reservoir?

25 A. We believe that there is some indication that the

1 more fractured reservoirs will tend to give a stronger
2 amplitude, yes.

3 Q. So you're assuming that this yellow portion right
4 here would be fractured limestone?

5 A. Yes.

6 Q. Do you know how much -- Well, is that Number 87
7 well, is that a pretty good well?

8 A. Yes, sir, it is.

9 Q. Do you know what the producing rates are in it?

10 A. Right now we're up to 2 million a day.

11 Q. Was seismic also used for the -- Let's see, what
12 have you drilled in this area? The 81?

13 A. The 81, the 84, the 87.

14 Q. The 81 is -- Okay, I see the 81. The 84 is north
15 of the 87?

16 A. Yes, it is, in the purple area.

17 Q. Okay, cut off on that. And then the -- Is that
18 85 or 65?

19 A. Sixty-five.

20 Q. Okay, were all those drilled?

21 A. Yes, the 65 and the 81, 84 and 87.

22 Q. Okay, and the three in Section 2 are
23 nonproductive?

24 A. The 65 was productive.

25 Q. The 65 was productive. And was that commercial?

1 A. No.

2 Q. Was seismic used to determine all the well
3 locations in Section 2?

4 A. I really don't know. This is a project that came
5 to us from another one of our Divisions, and I'm not sure
6 when they started to utilized the 3-D. When it came into
7 the Midland office, that's when we began to use the 3-D to
8 help us determine Wolfcamp.

9 Q. Is there any structural component to where you'd
10 want to drill in here?

11 A. No, there is not, that we have found.

12 Q. And it was your opinion that the two pods that
13 you -- well, the pod that you've targeted and then the one
14 to the south were not in communication. That's just based
15 upon -- what?

16 A. Just from the seismic work that we've done, we
17 believe that as you begin to get into any of the blue at
18 all, you lose a lot of that fracture-enhanced porosity, and
19 that we would -- The matrix porosity is low enough that you
20 would not have enough communication to drain both pods at
21 one time.

22 Q. Does Texaco have any plans on drilling an
23 additional well to the south?

24 A. At this time, no.

25 Q. Do you believe that one well will drain this

1 structure here?

2 A. Yes.

3 Q. Was this evidence submitted in your
4 administrative application?

5 A. I can't answer that, I don't know.

6 MR. CARR: Mr. Catanach, there was a seismic map
7 enclosed with the administrative application. It was not
8 the same map that you have before you.

9 EXAMINER CATANACH: Mr. Carr, did Mr. Stogner
10 elaborate on why he thought this location was unreasonable?

11 MR. CARR: No, sir, he did not. He did not.

12 Q. (By Examiner Catanach) This is basically the
13 same map that you submitted administratively?

14 A. Yes, this would be very close to the same type of
15 exhibit that we're showing in 6.

16 Q. Again, you're showing amplitude on this map; is
17 that right?

18 A. That looks like that's correct. I did not
19 prepare this map myself.

20 Q. Okay, so moving the location to the north, to a
21 standard location, would put you, in your opinion, out of
22 the thicker portion of the reservoir?

23 A. That's correct.

24 Q. And in your opinion it would be in a location
25 that would be nonproductive?

1 A. That's correct.

2 Q. But you can't estimate how much thickness you
3 would lose from these maps?

4 A. No.

5 EXAMINER CATANACH: Okay, I have nothing further.

6 FURTHER EXAMINATION

7 BY MR. CARR:

8 Q. Mr. Martin, in your testimony you referenced the
9 Number 84 well. Just to be sure you haven't misspoken, is
10 that a Devonian well?

11 A. That is correct, it's Devonian production.

12 MR. CARR: That's all I have, Mr. Catanach, and
13 that concludes our presentation in this case.

14 EXAMINER CATANACH: Okay, there being nothing
15 further in this case, Case 12,487 will be taken under
16 advisement.

17 (Thereupon, these proceedings were concluded at
18 12:25 p.m.)

19 * * *

20

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____ 19 ____.

_____, Examiner
Of 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 September 14th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002

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. 12,487
)
 APPLICATION OF TEXACO EXPLORATION AND)
 PRODUCTION, INC., FOR AN UNORTHODOX GAS)
 WELL LOCATION, EDDY COUNTY, NEW MEXICO)

OFFICIAL EXHIBIT FILE

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 7th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner on Thursday, September 7th, 2000, 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.

* * *