

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. 12,519
)
APPLICATION OF MATADOR PETROLEUM)
CORPORATION FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO) ORIGINAL
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 19th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner on Thursday, October 19th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

10/19/00 11:09:12
MICHAEL E. STOGNER

I N D E X

October 19th, 2000
 Examiner Hearing
 CASE NO. 12,519

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

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

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

1 WHEREUPON, the following proceedings were had at
2 3:07 p.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. At this time I'll call Case Number 12,519, which is
5 the Application of Matador Petroleum Corporation for
6 compulsory pooling; this is in Lea County, New Mexico.

7 At this time I'll call for appearances.

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

12 EXAMINER STOGNER: Any other appearances in this
13 matter?

14 Will the two witnesses please stand to be sworn?

15 (Thereupon, the witnesses were sworn.)

16 MARK A. VIRANT,

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. KELLAHIN:

21 Q. Mr. Virant, would you please state your name and
22 occupation?

23 A. Yes, it's Mark Virant, and I'm the Division
24 landman for Permian Basin for Matador Petroleum
25 Corporation.

1 Q. Mr. Virant, on past occasions have you testified
2 before the Division?

3 A. I have not.

4 Q. Summarize for us your education and employment
5 background?

6 A. I graduated from Texas A&M University in 1976. I
7 worked for Windsor Energy four years as assistant
8 controller and landman, ten years with Santa Fe Minerals
9 and ten years with Union Pacific as a landman.

10 Q. And you're currently employed with Matador
11 Petroleum Corporation?

12 A. Yes, sir.

13 Q. As part of your land responsibilities for Matador
14 have you become familiar with the land ownership in the
15 east half of Section 12 that is the subject of this
16 hearing?

17 A. I have.

18 Q. As part of your responsibilities, have you been
19 charged with the duty to identify and to contact all the
20 working interest owners in an attempt to reach a voluntary
21 agreement?

22 A. I have.

23 MR. KELLAHIN: We tender Mr. Virant as an expert
24 petroleum landman.

25 EXAMINER STOGNER: Mr. Virant is so qualified.

1 Q. (By Mr. Kellahin) Let me have you take a moment
2 and look at Exhibit 1.

3 A. Okay.

4 Q. This is an exhibit you prepared?

5 A. Yes, sir.

6 Q. Let's look at the east half of 12 and have you
7 describe for us how it's subdivided.

8 A. This exhibit is the proposed unit outline. We
9 have identified the four state leases in the unit. The
10 ownership of each lease is listed, and the location is in
11 the southwest quarter of the southeast.

12 Q. Are there interest owners in the east half of
13 Section 12 that have not executed the necessary written
14 documents to fully commit their interest on a voluntary
15 basis to this well?

16 A. Yes, sir.

17 Q. On Exhibit 1 there is an identity of interest
18 tabulated, and when we look at the subdivision in the
19 northeast quarter, the northeast quarter is vertically
20 subdivided. Identify for us the parties or interests that
21 you're seeking to pool in this case.

22 A. In the east half of the northeast we're seeking
23 to pool Nearburg and Devon. In the west half of the
24 northeast we're seeking to pool EOG Resources. In the
25 southeast of the southeast we're seeking to pool EOG

1 Resources, Parks and Luttrell Energy, Asher Fund 1990
2 Limited.

3 Q. Let me have you turn to Exhibit 2, and let's look
4 at the status of your negotiations on this summary sheet so
5 that Examiner Stogner can see the level of your effort. If
6 you'll start with the column on the far left, what are we
7 identifying in this column?

8 A. Those are all the leasehold interests in the east
9 half of Section 12 who were notified of the compulsory
10 pooling hearing.

11 The next column, it says "Working Interest",
12 that's a percentage, and it's a percentage of their
13 interest if it is a deep gas 320-acre-spaced unit?

14 A. That's correct.

15 Q. It says "AFE Approved", there's some Y's and N's.
16 What does that signify?

17 A. The Y's signify that the AFE has been executed.

18 Q. The next column --

19 A. -- is the JOA, formally approved, and none of the
20 parties have executed the JOA at this point in time.

21 Q. Okay, and then it says "Participating".

22 A. "Participating", EOG Resources is the second
23 working interest owners. They have indicated they will
24 participate, we have received verbal approval. They are
25 finalizing the formal JOA.

1 Q. And once they have executed the contract
2 documents, then their interest could be deleted from the
3 pooling order?

4 A. Yes, sir.

5 Q. How about Devon?

6 A. Devon, no, sir, they have advised us they will
7 not oppose the compulsory pooling, and they have indicated
8 that subsequent participation is likely.

9 Q. We'll come back to Devon again in a minute.

10 A. Okay.

11 Q. What's the status with Nearburg?

12 A. Nearburg will participate. They have verbally
13 approved the AFE and the JOA. They are circulating it for
14 signature as we speak.

15 Q. All right. And again, once the documents are
16 executed, then we can delete them from the pooling order?

17 A. Yes, sir.

18 Q. All right, how about Santa Fe Snyder?

19 A. Santa Fe Snyder merged with Devon effective
20 August 29th.

21 Q. Parks and Luttrell?

22 A. Parks and Luttrell is participating. They have
23 executed an AFE, and they have verbally approved the JOA.

24 Q. So again they can be deleted once they execute
25 the operating agreement?

1 A. Yes, sir.

2 Q. And then the Asher Fund?

3 A. That's the same as Parks and Luttrell. They've
4 signed the AFE and they've verbally approved the JOA.

5 Q. And you have acquired or you are having -- Texaco
6 is conveying their interest to you?

7 A. Yes, sir.

8 Q. All right. Let's turn to Exhibit 3 and review
9 your summary of communications regarding the well. You've
10 tabulated to the best of your knowledge and recollection
11 the various contacts with these various companies or
12 individuals?

13 A. That's correct.

14 Q. Let's start with the formal proposal of the well
15 with a written letter, including an AFE. When did that
16 occur?

17 A. August 17th. When we --

18 Q. All right. Use Exhibit 3 as an outline. Can we
19 look to Exhibit 4, which is the package of correspondence,
20 and find an example of the well-proposal letter?

21 A. Yes, sir, we can.

22 Q. Now, the letters are stapled in reverse order so
23 that the earliest letter is at the bottom of the package?

24 A. That's correct.

25 Q. So if you turn to the last page, what is this,

1 dated August 17th?

2 A. This is a letter to EOG Resources proposing the
3 well, the copy of the AFE, copy of the proposed JOA and the
4 option to farm out in the event they do not desire to
5 participate in the well.

6 Q. And do you have letters proposing this well to
7 all the interest owners?

8 A. We do, yes, sir.

9 Q. When is the last letter proposing the well to any
10 of the working interest owners?

11 A. The last letter was September the 22nd, to Parks
12 and Luttrell.

13 Q. All right. It appears that all these
14 communications are from you to the other working interest
15 owners?

16 A. That is correct.

17 Q. Did you receive any written correspondence from
18 any of those interest owners back to you?

19 A. No, sir, other than executed AFEs from Asher and
20 Parks and Luttrell.

21 Q. It appears likely that you're going to obtain
22 voluntary agreement from all the interest owners except for
23 the Devon interest plus what Devon acquired from Santa Fe;
24 is that a true --

25 A. Correct.

1 Q. Let's focus in on Devon, then.

2 A. Okay.

3 Q. When we look at the geologic displays in a
4 minute, does Devon have production in the deep gas in the
5 western portion of this section?

6 A. They do.

7 Q. Has Devon communicated to Matador any reluctance
8 in pursuing the drilling of your well by voluntarily
9 participating?

10 A. They have -- their -- Would you mind repeating
11 that?

12 Q. Yes, sir, I want to know whether or not there
13 were any conversations between Devon and Matador, to your
14 knowledge, concerning why they have not executed the
15 agreements to voluntarily participate with your wells?

16 A. There are two reasons. The first reason is that
17 Devon is preoccupied with merger issues such as transfer
18 and assignment of people to their Oklahoma City office.
19 The second issue is that in the offset well in the west
20 half of Section 12, Devon has a working interest in excess
21 of 50 percent, and they feel that our proposed well will be
22 draining that location.

23 Q. All right, so they have a competitive well in the
24 area that they have a larger interest in?

25 A. That's correct.

1 Q. As part of your package you did testify that you
2 sent all these working interest owners an AFE?

3 A. We did.

4 Q. Is that what is marked as Exhibit Number 5?

5 A. It is.

6 Q. Did you receive any objection from any of the
7 working interest owners concerning the estimate of
8 expenditures for the well?

9 A. None whatsoever.

10 Q. To the best of your knowledge, this AFE
11 represents an accurate and reasonable estimate of well
12 costs?

13 A. Yes, sir.

14 Q. Let's turn to Exhibit Number 6. Would you
15 identify Exhibit Number 6 for us?

16 A. Exhibit Number 6 is the negotiated joint
17 operating agreement, which has been agreed to by all the
18 parties.

19 Q. All right, they've actually seen and reviewed --

20 A. Oh, yes.

21 Q. -- the document --

22 A. Yeah.

23 Q. -- and you're simply waiting the execution and
24 return of the document?

25 A. Their changes are incorporated in this final

1 document.

2 Q. Will you turn to the COPAS attachment to the
3 operating agreement and describe for us the level of
4 overhead rates on a monthly basis that the other working
5 interest owners have agreed to commit their interest to.

6 A. \$650.

7 Q. On a monthly basis?

8 A. On a monthly basis.

9 Q. And the drilling well rate, on a monthly basis,
10 is what number?

11 A. \$6500.

12 Q. All right. How does that compare to the range of
13 operating costs on a monthly basis that you have agreed to
14 with other companies?

15 A. We have other overhead rates in the area of \$6000
16 and as high as \$7150 for drilling and \$715 a month.

17 Q. So you're within the range, then, of what others
18 are charging you?

19 A. Correct.

20 Q. You're slightly higher than some and lower than
21 others?

22 A. That's correct.

23 Q. How does your proposed \$6500-a-month drilling
24 well rate compare to what Ernst and Young tabulates on
25 their latest tabulation of those costs?

1 A. The Ernst and Young tabulation is \$5876, so that
2 would be --

3 Q. You're slightly higher --

4 A. Slightly --

5 Q. -- than that average?

6 A. Yes, sir.

7 Q. All right, sir. What do you recommend to the
8 Examiner with regard to the overhead rates to apply in the
9 pooling Application?

10 A. \$6500 and \$650 was negotiated between the
11 parties, but we are willing to go to the \$6000 and \$600
12 which Nearburg is using in the area.

13 Q. Do you believe you've exhausted all reasonable
14 opportunities to get Devon to execute the necessary
15 agreements to commit their interest?

16 A. Yes, sir.

17 Q. So at this point in time it's appropriate to ask
18 the Division to enter a compulsory pooling order?

19 A. Yes, sir.

20 Q. Let's talk now about what that order ought to
21 look like.

22 A. All right.

23 Q. When the Application was filed, there was a list
24 of possible spacing units to pool?

25 A. Uh-huh.

1 Q. Mr. Carr filed this in my behalf, and he asked
2 for 40s, 80s, 160s and 320s; is that not correct?

3 A. Correct.

4 Q. Let's talk about the ones that we can exclude,
5 all right?

6 A. Okay.

7 Q. In a 40-acre oil unit you would have 100 percent,
8 and therefore no pooling order is necessary, correct?

9 A. That's correct.

10 Q. If there is -- And there are certainly no special
11 rules in the area on oil other than 40 acres, true?

12 A. That's correct.

13 Q. But if one was created, then you would have the
14 west half of the southeast quarter to dedicate to an 80?

15 A. That's correct.

16 Q. You wouldn't need to pool the southeast-
17 southeast?

18 A. That's correct.

19 Q. There is some remote possibility of shallow gas
20 on 160 acres?

21 A. Uh-huh.

22 Q. So at this point would you want a pooling order
23 that applied to any shallow gas on 160 acres?

24 A. Yes, sir.

25 Q. Okay. The principal objective, though, is the

1 deep gas, and that's the east half of the section?

2 A. That's correct.

3 MR. KELLAHIN: All right, sir.

4 That concludes my questions of this witness, Mr.
5 Examiner.

6 We move the introduction of his Exhibits 1
7 through 6.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Okay, let me clarify some stuff, let me make sure
11 I've got the figures. What was the producing rate again?

12 MR. KELLAHIN: \$6500 and \$650.

13 Q. (By Examiner Stogner) \$650, okay. Now, you
14 talked about the 80-acre unit. What did you identify would
15 be the 80-acre?

16 A. That would be the west half of the southeast.

17 Q. The west half of the southeast. So that's 100-
18 percent Matador?

19 A. Correct.

20 Q. Okay, so your ad asked for the south half of the
21 southeast, but that's to be negated at this point?

22 MR. KELLAHIN: Yes, sir.

23 EXAMINER STOGNER: So we're just now seeking 160
24 and 320?

25 MR. KELLAHIN: Yes, sir.

1 Q. (By Examiner Stogner) Okay, let's talk about
2 that 320. You had mentioned something about Devon having
3 some operations -- is that correct? -- in the west of this
4 proration unit, in your testimony?

5 A. Yes, sir. In the south half of the west half,
6 there's the Devon Outland State Unit 1Y.

7 MR. KELLAHIN: You're going to have to refer to
8 the production map, Mr. Stogner.

9 EXAMINER STOGNER: Okay, that's --

10 MR. KELLAHIN: -- it's Exhibit Number 7 --

11 EXAMINER STOGNER: -- Exhibit Number 7. Okay.

12 MR. KELLAHIN: -- because we only displayed the
13 east half of 12 on Exhibit 1.

14 EXAMINER STOGNER: Okay, so I'm just referring to
15 that just as --

16 THE WITNESS: Okay.

17 EXAMINER STOGNER: -- for the questioning here.

18 Q. (By Examiner Stogner) But you had mentioned
19 something that Devon had not joined because they felt that
20 there was too much of a drain off of their acreage?

21 A. They have a larger interest in the offset well in
22 the west half of Section 12.

23 Q. Okay, so that's just -- So you couldn't reach an
24 agreement?

25 A. Correct.

1 Q. And now is there any operations or any wells
2 currently in the east half of Section 12?

3 A. There is a Strawn well in the wet half of the
4 northeast.

5 Q. Okay. Is that -- And who is the operator?

6 A. That's EOG.

7 Q. Okay. Now, is that a gas or oil well?

8 A. It's a gas well.

9 Q. Okay, and that's holding the east half?

10 A. Yes, sir.

11 Q. So that would make them the designated operator
12 and this an infill well in the Strawn, or should the Strawn
13 be taken out?

14 MR. KELLAHIN: You could take it out, Mr.
15 Examiner. The principal objective we have is the Morrow
16 formation, so we don't want a conflict in the Strawn.

17 EXAMINER STOGNER: Okay, so let me make sure I've
18 got this straight. Going from the surface down to the base
19 of the Morrow, underlying 320, with the exception of the
20 Strawn --

21 MR. KELLAHIN: Yes, sir.

22 EXAMINER STOGNER: -- and then anything spaced on
23 160 from the top of the Wolfcamp up?

24 MR. KELLAHIN: Yes, sir.

25 EXAMINER STOGNER: Okay, I think I have this

1 straight.

2 I have no other questions of this witness.

3 You may be excused. Thank you, sir.

4 Let's see, did you introduce Exhibit Number 14?

5 MR. KELLAHIN: Perhaps I'll do it at this time,
6 Mr. Examiner. Exhibit 14 is my certificate of
7 notification. This is to all the working interest owners
8 that Mr. Virant testified to, and they were sent on my
9 behalf by Mr. Carr's office.

10 EXAMINER STOGNER: And you also included -- or
11 Santa Fe Snyder was also contacted?

12 MR. KELLAHIN: They were. But as he's testified,
13 that interest is now controlled by Devon.

14 EXAMINER STOGNER: Exhibit Number 14 will be
15 admitted into evidence at this time also. Thank you, Mr.
16 Kellahin.

17 MR. KELLAHIN: Our next witness is Mr. Martin
18 Emery.

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

22 DIRECT EXAMINATION

23 BY MR. KELLAHIN:

24 Q. Would you please state your name and occupation,
25 sir?

1 A. My name is Martin Emery. I'm a geologist with
2 Matador Petroleum Corporation, Dallas, Texas.

3 Q. On prior occasions, Mr. Emery, have you testified
4 before the Division?

5 A. Yes, I have.

6 Q. Within the context of this case, have you
7 prepared a geologic study, and are you able to reach
8 conclusions and opinions concerning a risk factor penalty?

9 A. Yes.

10 MR. KELLAHIN: We tender Mr. Emery as an expert
11 witness.

12 EXAMINER STOGNER: Mr. Emery is so qualified.

13 Q. (By Mr. Kellahin) Let's start with Exhibit
14 Number 7. It's the locator map that you prepared that
15 shows the production in the area. Would you take a moment
16 and identify that for us?

17 A. Yes, Exhibit 7 is a production map centered
18 around Section 12 of Township 21 South, 34 East. Outlined
19 in green are wells that are productive from the Morrow
20 formation. There are two wells, one in the northeast of
21 Section 12, one in the southeast of Section 13, which also
22 have produced from the Strawn, and they're illustrated by
23 the pink.

24 Q. When you look at your best possible target for
25 your well at this location, what is that formation or

1 formations?

2 A. It's the Morrow formation.

3 Q. When we deal with the opportunity for shallow gas
4 production, is that more speculative than any opportunity
5 for the Morrow production?

6 A. Yes, it is. This map depicts only wells that
7 have penetrated the Morrow. There is some shallow
8 production in the area, but it is mainly oil and from the
9 Yates.

10 Q. So the opportunity for shallow gas production at
11 this location would be at a risk that is equal to or
12 greater than what you're describing for the Morrow?

13 A. Correct.

14 Q. All right, let's look at the Morrow, then, in
15 terms of your target area. The Division has the authority
16 to establish a penalty factor in a pooling case to be cost
17 plus 200 percent; are you aware of that?

18 A. Yes.

19 Q. Within that range, do you have a recommendation
20 to the Examiner as to what would be an appropriate risk
21 factor penalty?

22 A. Yes, I do.

23 Q. And what is that number?

24 A. 200 percent.

25 Q. Can you summarize for us what reasons you have

1 for reaching that conclusion?

2 A. In summary, there are four objective sandstones
3 in the Morrow formation, in particular the middle Morrow
4 formation. Three of those sandstones are the main
5 producers in the Santa Fe Energy, now Devon, Outland 1Y
6 well in the southwest of Section 12.

7 This subsurface mapping suggests that one of
8 those sandstones will be absent that is productive in the
9 Outland well. The other two will be thinner. And the
10 fourth of those objectives might be present at our well
11 location but has proven to be a marginal or noncommercial
12 producer in tests of other wells in the area.

13 Q. Let's look at the specifics that support that
14 reasoning. If you'll turn with me first to Exhibit Number
15 8, identify what this display is.

16 A. Exhibit Number 8 is a structural contour map at
17 the top of lower Morrow.

18 Q. When we're assessing a risk recommendation, what
19 if any part does this structural map play in association
20 with that risk?

21 A. It plays a minimal part in the assessment of that
22 risk.

23 Q. Okay. Let's set that aside, then, and look at
24 Exhibit Number 9, and here is where you have, on a cross-
25 section, subdivided your objectives. Find us the two wells

1 that you use for your two-well cross-section. Where are
2 those?

3 A. The two-well cross-section actually also goes
4 through the proposed location for the Mary State 12 Com
5 Number 1 well -- the EOG Resources State 12 Number 1 is in
6 the northeast of Section 12 -- extends to the south through
7 the Mary State 12 Com Number 1 location, and then westward
8 to the Santa Fe or Devon Outland State Unit 1Y well.

9 Q. All right, let's look at the EOG well in the
10 northeast of your section. It was drilled deep enough to
11 penetrate through the Morrow intervals.

12 A. That is correct.

13 Q. Was it able to produce in commercial quantities
14 from any of the Morrow zones that you've targeted?

15 A. No.

16 Q. Devon -- Santa Fe Energy, now Devon, has a newly
17 drilled Outland well?

18 A. That is correct.

19 Q. Is there available information now that's
20 sufficient to give you the ability, or your engineers the
21 ability to do any type of decline curve analysis to
22 determine what the EUR for that well ought to be?

23 A. Not with much confidence. The well was only
24 completed in May of this year.

25 Q. Let's summarize for the Examiner, using the

1 cross-section, what you see to be the relationship of each
2 of these sand members, then, between that well and your
3 location, starting first of all with the "B-2" sand, which
4 would be the top of the Morrow intervals. That's on
5 Exhibit 10. Let's look at Exhibit 10.

6 Compare your location to the Outland location in
7 terms of thickness.

8 A. Okay. The "B-2" sandstone is the uppermost of
9 the four middle Morrow sandstone targets or objectives.
10 The expectation is that it would be possibly thicker than
11 the Outland 1-Y well and similar thickness to the EOG or
12 formerly Belco State 12 Number 1 well.

13 Q. Is the Outland well perforated in this interval?

14 A. No, it is not.

15 Q. Do you have any opinions as to why that may not
16 have occurred in this well when they perforated and
17 apparently produced the other three?

18 A. They had some difficulty in logging, open-hole
19 logging, that particular section of the well, so it's hard
20 to confidently assess the exact thickness of sand,
21 especially the net thickness of sand, which is what is
22 mapped on Exhibit 10.

23 Q. Okay, when we look at Exhibit 10, then, to the
24 north of your location you have a well which is the EOG
25 well?

1 A. Correct.

2 Q. With a similar thickness, except that's a dry
3 hole?

4 A. Correct. That interval was perforated, tested,
5 but was noncommercial.

6 Q. Over in Section 7 to the east there is another
7 dry hole with similar thickness values?

8 A. Correct.

9 Q. So what's your opinion of risk associated with
10 this interval?

11 A. Three of the four nearby offsets were
12 unsuccessful or nonproductive in this particular sandstone
13 interval.

14 Q. Let's turn to Exhibit 11 and look at the "C-1"
15 interval, which is the next one down. Summarize for us
16 your specific conclusions about the assessment of risk
17 associated with this sand member.

18 A. The "C-1" sandstone -- again, this is a net
19 sandstone isopach map applying a porosity cutoff -- is a
20 channel deposit with thicker net values to the west from
21 the proposed location.

22 Q. You're moving to the east, you're thinner?

23 A. That is correct.

24 Q. The well control to the north and east of you
25 exhibits dry holes?

1 A. Or noncommercial --

2 Q. Noncommercial.

3 A. -- completion attempts in this particular
4 sandstone.

5 Q. Let's turn to the next interval and look at
6 Exhibit 12, which will correspond to the "C-2" sand zone.
7 Identify and describe the risk associated with this.

8 A. Similar to the "C-1" sandstone, we witness that
9 there are thicker net sandstone values to the west of the
10 proposed location. We expect to be thinner than the
11 Outland 1Y well.

12 Q. Okay. And then finally Exhibit 13 corresponds to
13 the bottom interval, the "D" stringer?

14 A. Correct.

15 Q. Describe that one for us.

16 A. The net sandstone isopach map for the "D" or
17 lowestmost middle Morrow sandstone suggests that we will
18 not have any sandstone present at the Mary State 12 Com
19 Number 1 location.

20 Q. In summary, then, your conclusion is, the risk
21 associated with this well and these deep gas zones
22 justifies the maximum penalty?

23 A. That is correct.

24 MR. KELLAHIN: That concludes my examination of
25 this witness. We move the introduction of Mr. Emery's

1 Exhibits 7 through 13.

2 EXAMINER STOGNER: Exhibits 7 through 13 will be
3 admitted into evidence at this time.

4 EXAMINATION

5 BY EXAMINER STOGNER:

6 Q. Okay, in referring to Exhibit Number 9, I'm
7 trying to find a date on that drill stem test in the middle
8 Morrow. Do you know when that was?

9 A. For the EOG Resources well?

10 Q. Yes.

11 A. That would be -- The well was completed in late
12 1976, so that would be sometime, November or October of
13 1976.

14 Q. Now, did that well actually produce any Morrow
15 gas?

16 A. The what was then Belco, now EOG Resources, no,
17 it did not.

18 Q. Okay. Do you know what that EOG Resources State
19 12 Number 1 -- what perforations it's producing from
20 currently?

21 A. No, I'm not certain, but they were perforations
22 in the Strawn. They are perforations in the Strawn.

23 Q. Referring to Exhibit Number 7, now, you show deep
24 gas producers. Is there any shallow production not shown
25 on this map, or --

1 A. Yes, there --

2 Q. -- does this show all the wells?

3 A. This does not show all the wells, this only shows
4 penetrations greater than 11,000 feet.

5 Q. Okay, what's some of the shallow production
6 around here?

7 A. I had another map that --

8 MR. KELLAHIN: Do you have an extra copy of that?

9 THE WITNESS: Yes.

10 MR. KELLAHIN: Here's an additional map, Mr.
11 Stogner.

12 THE WITNESS: The same area, you'll notice that
13 there are a lot of shallow -- less than 4000, in general --
14 oil wells. Those are Yates oil wells.

15 Q. (By Examiner Stogner) Now, there appears to only
16 be two additional wells in the southeast, and those are old
17 -- it looks like dry and abandoned wells?

18 A. Correct.

19 EXAMINER STOGNER: I'll take administrative
20 notice of the Oil Conservation Division's records on the
21 well files, Mr. Kellahin.

22 MR. KELLAHIN: I'm happy to mark that as Exhibit
23 15 if you'd like it in the case file.

24 EXAMINER STOGNER: Sure, that would be fine.

25 MR. KELLAHIN: Visual illustration, then. We'll

1 mark and introduce that as Exhibit Number 15.

2 EXAMINER STOGNER: Exhibit Number 15. Do you
3 have any other copies of this?

4 MR. KELLAHIN: Yes, sir.

5 EXAMINER STOGNER: You can provide Steve with one
6 of these prior to the end of the hearing today.

7 Exhibit Number 15 will be admitted into evidence.

8 I don't believe I have any other questions of
9 this witness. You may be excused.

10 MR. KELLAHIN: That concludes our presentation,
11 Mr. Stogner.

12 EXAMINER STOGNER: Does anybody else have
13 anything further in Case 12,519? Then this matter will be
14 taken under advisement.

15 (Thereupon, these proceedings were concluded at
16 3:38 p.m.)

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I do hereby certify that the foregoing is a true and correct copy of the proceedings in the hearing of Case No. 12,519, held at the office of the Hearing Officer, Steven T. Brenner, on the 25th day of June, 1998.

Steven T. Brenner
Hearing Officer

