

## NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date MARCH 8, 2001 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
Bill Baker	Davis Armstrong & Co.	MIDLAND, TX
Mike Feldewerf	Holland & Co. and Langley & Co.	Santa Fe
SCOTT HALL	MILLER LAW FIRM	SF
James Bruce	—	SF
Larry Cunningham	EDG Resources	Midland, TX
RANDALL CATE		/

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. 12,608

APPLICATION OF DAVID H. ARRINGTON OIL )  
AND GAS, INC., FOR AN UNORTHODOX GAS )  
WELL LOCATION, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 8th, 2001

Santa Fe, New Mexico

OIL CONSERVATION DIV.  
01 MAR 22 AM 8:04

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 8th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

March 8th, 2001  
Examiner Hearing  
CASE NO. 12,608

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APPLICANT'S WITNESS:	
<u>BILLY DON BAKER, JR.</u> (Geologist)	
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\* \* \*

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

HARRY NUTTER  
 Attorney at Law  
 Legal Counsel to the Division  
 1220 South St. Francis Drive  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
 110 N. Guadalupe, Suite 1  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: MICHAEL H. FELDEWERT

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:25 a.m.:

3           EXAMINER STOGNER: This hearing will come to  
4   order. Please note today's date, March the 8th, 2001. I'm  
5   Michael Stogner, appointed Hearing Examiner for today's  
6   cases.

7           And at this time I'm going to call the first  
8   case, on page 4, which is Case 12,608, which is the  
9   Application of David H. Arrington Oil and Gas, Inc., for an  
10   unorthodox gas well location, Lea County, New Mexico.

11          Call for appearances.

12          MR. FELDEWERT: Mr. Examiner, Michael Feldewert  
13   with the law firm of Holland and Hart and Campbell and Carr  
14   for the Applicant, David H. Arrington Oil and Gas, Inc.,  
15   and I have one witness today.

16          EXAMINER STOGNER: Any other appearances?

17          Will the witness -- he is standing.

18          (Thereupon, the witness was sworn.)

19                 BILLY DON BAKER, JR.,  
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. CARR:

24           Q. Mr. Baker, would you state for the record your  
25   full name, your address, for whom you are employed and in

1     what capacity?

2           A.     My name is Billy Don Baker, Jr., and I live in  
3     Midland, Texas.  I'm currently employed as the exploration  
4     manager for David H. Arrington Oil and Gas, Inc.

5           Q.     And have you previously testified before this  
6     Division and had your credentials as an expert in petroleum  
7     geology accepted and made a matter of record?

8           A.     Yes, sir, they have been.

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

11          A.     Yes, sir, I am.

12          Q.     And are you familiar with the status of the lands  
13    in the subject area?

14          A.     Yes, sir, I am.

15          Q.     And have you made a technical study of the area  
16    which is the subject of this Application?

17          A.     Yes, sir, I have.

18          Q.     And are you prepared to share the results of your  
19    work with the Examiner?

20          A.     Yes, sir, I am.

21                 MR. CARR:  Are the witness's qualifications  
22    acceptable?

23                 EXAMINER STOGNER:  Mr. Baker is so qualified.

24          Q.     (By Mr. Carr)  Mr. Baker, would you please  
25    briefly state what Arrington Oil and Gas seeks with this

1 Application?

2 A. We are seeking approving of an unorthodox gas  
3 well location for the proposed re-entry of the Mayfly "14"  
4 State Com Well Number 4, which is located at a location of  
5 1651 feet from the north line and 371 feet from the west  
6 line in Section 14 of Township 16 South, 35 East.

7 We're proposing to re-enter a previously drilled  
8 Strawn well that was drilled as a Strawn completion,  
9 horizontal well, and subsequently depleted. We would like  
10 to re-enter this well and deepen it approximately 700 feet  
11 to test the Morrow and lower Mississippian gas formations.

12 Q. Why don't you then identify and review for the  
13 Examiner Arrington Exhibit Number 1?

14 A. Arrington Exhibit Number 1 is a land plat. In  
15 yellow we have colored our unit, which is a west-half, 320  
16 acres, Section 14. In red I have identified the proposed  
17 re-entry and deepen located there in the northwest quarter  
18 of the southwest quarter of the northwest quarter.

19 Q. Is there a JOA in place for this west-half  
20 spacing unit?

21 A. Yes, sir, there currently is a JOA in place.

22 Q. Okay. Why don't you explain for the Examiner  
23 briefly why this well is unorthodox?

24 A. The reason this is an unorthodox location is  
25 because under statewide rules a Morrow or Mississippian gas

1 well has to be located no closer than 660 feet to the outer  
2 boundary of a quarter section.

3 Our current well up there encroaches to the west  
4 line by approximately 289 feet, because we are currently at  
5 a location that's 371 feet from the west line of the  
6 section.

7 Q. Okay, now what acreage is affected, then, by this  
8 unorthodox location?

9 A. It will be the east half of Section 15.

10 Q. Is that a designated spacing unit?

11 A. Yes, sir, this is a designated 320-acre east-half  
12 proration unit for Atoka and lower Morrow.

13 Q. And what is the status of the acreage in the east  
14 half of Section 15, the acreage that's being affected?

15 A. The acreage is currently HBP'd under this  
16 designated unit by Chesapeake Petroleum, Incorporated.

17 Q. Chesapeake is the operator of wells in that  
18 property?

19 A. Yes, sir, they are.

20 Q. Are they the only affected party in this case?

21 A. Yes, sir, they are.

22 Q. Is Arrington Exhibit Number 2 a notice letter  
23 that was sent to Chesapeake by certified mail?

24 A. Yes, sir, this is a certified letter that was  
25 sent to Chesapeake, letting them know about this hearing



1 for this unorthodox location and the receipt of it.

2 Q. Okay, and why don't you identify and review for  
3 the Examiner, then, Arrington Exhibit Number 3?

4 A. Arrington Exhibit Number 3 is a waiver letter  
5 from Chesapeake Petroleum waiving this unorthodox location.  
6 It should also be noted that they are participants in the  
7 well. They have approximately 20 percent interest in the  
8 proposed re-entry, and they have signed a waiver saying  
9 they do not object to this unorthodox location.

10 Q. Okay. Now, why don't you outline at this point,  
11 then, your strategy for your proposed re-entry and  
12 recompletion in the Mayfly "14" State Com Well Number 4?

13 A. Okay, sir, what we do, we proposed -- Well, let  
14 me back up. The original well was drilled to a total depth  
15 of 11,600 feet, and we subsequently horizontalized the well  
16 to the south approximately 1500 feet in the Strawn  
17 formation. The well produced for approximately 30 days and  
18 depleted.

19 What we're proposing to do is just take and  
20 deepen from 11,600 feet, under the original surface  
21 location, to a total depth of 12,100 feet, which should  
22 adequately get us through the lower Mississippian  
23 formation. And basically, we hope to test any potential  
24 Morrow gas pays as well as any lower Mississippian gas  
25 pays.

1 Q. Is this going to be a straight hole?

2 A. Yes, sir, this will be a straight hole.

3 Q. Okay. Why don't you turn to Arrington Exhibit  
4 Number 4 and explain how your strategy compares to your  
5 geologic study of the area?

6 A. Arrington Exhibit Number 4 is a structure map on  
7 the top of the Morrow limestone. And basically, at this  
8 particular area right here, we see that this is a highly  
9 complexly faulted-up structural feature. It appears to  
10 have an east-plunging nose with several different sets of  
11 faults involved here. Within the Atoka and Morrow time,  
12 there were a number of Atoka and Morrow sands that were  
13 deposited in a north-south orientation that basically  
14 trapped across the structural feature.

15 Right here I have outlined our proposed unit in  
16 green. I have also noted the productive horizons of the  
17 wells in the area in which they produce from. We have  
18 designated those in orange as the upper Atoka zone, in  
19 green, which would be a lower Atoka zone, and then in red  
20 would be the Austin-Morrow, which is just a local  
21 designation for a Morrow sand. And then in pink an  
22 undesignated Atoka producer.

23 Q. Now, you show two wells in green in your proposed  
24 320 spacing unit, and green, I think, indicates you're  
25 producing from the lower Atoka?

1           A.    Yes, sir, these wells are currently producing  
2           from the lower Atoka-Brunson interval.  Previously, these  
3           wells had been designated, though, in the Townsend-Morrow  
4           Pool.  Arrington at this time is currently having these two  
5           wells reclassified through the Hobbs OCD, and Paul Kautz  
6           will be reclassifying these to the North Shoe Bar-Atoka  
7           Pool, which is the proper pool designation for these two  
8           producing wells.

9           Q.    And where are you in that process?

10          A.    Right now we're in the process of putting  
11          together the C-103, -104 and -105s and submit them to Paul  
12          so that he can make the appropriate changes at one of his  
13          meetings, which he says he has every two to three weeks.

14          Q.    So then would your proposed well be the only  
15          Morrow well in this east half of Section -- the only true  
16          Morrow well?

17          A.    The only true Morrow, yes, sir.  And that is the  
18          reason for the reclassification.

19          Q.    Why don't you then turn to Arrington Exhibit  
20          Number 5, identify that and explain it for the Examiner,  
21          please?

22          A.    Okay, Arrington Exhibit Number 5 is a  
23          stratigraphic cross-section that is located on Exhibit  
24          Number 4 as cross-section A-A', A being on the very north  
25          end and then A' located on the south end down in Section

1 14.

2 And what I'd like to do for the Examiner is go  
3 through these on a well-by-well basis, starting on the  
4 left-hand side, which would be up near the cross-section A  
5 point, and go through these and describe what each well is  
6 producing in and the stratigraphic horizon.

7 Located on the very left-hand side is the Yates  
8 Petroleum Jones "ATK" State Com Number 1. This well is  
9 located in the southwest quarter of Section 11. This well  
10 was drilled as a 12,500-foot lower Mississippian test. It  
11 has been dually completed in both the upper Atoka and the  
12 lower Atoka zones. I have marked the perforated intervals  
13 for these zones on the cross-section here.

14 The lower Atoka zone is flowing at a rate of 3.2  
15 million a day, and then the upper Atoka zone is flowing at  
16 a rate of 2.2 million cubic feet of gas per day. These two  
17 wells have been commingled and are currently designated in  
18 the North Shoe Bar-Atoka Pool.

19 If you'll move to the next well on the cross-  
20 section, this well is located in the southeast quarter of  
21 Section 10. This is the Yates Petroleum Big Flat "ASN"  
22 State Com Number 3. This well was drilled as a 12,400-foot  
23 lower Mississippian test. It is also dually completed in  
24 the upper Atoka and the lower Atoka intervals. I've  
25 indicated those perforated intervals here as being from a

1 top perforation of 11,573 to a bottom perforated interval  
2 with 11,862. These two zones have an IP of 4 million cubic  
3 feet of gas per day and 75 barrels of oil per day.

4 If you'll continue to the next well in the cross-  
5 section, this well is located in the northwest quarter of  
6 the northwest quarter of Section 14, and this is the David  
7 H. Arrington Oil and Gas, Inc., Mayfly "14" State Com  
8 Number 1. This well was drilled as a 12,400-foot lower  
9 Mississippian gas test. We originally attempted a  
10 completion in the Austin-Morrow zone. I have marked these  
11 perforated intervals on the cross-section.

12 In November of 1999 we perforated an interval  
13 from 12,040 feet to 12,047 feet. This is the Austin-Morrow  
14 gas sand. We acidized the well with 3000 gallons, had it  
15 flowing at a rate of 1.65 million cubic feet of gas and 54  
16 barrels of oil per day. And then we frac'd the well with  
17 46 tons of CO<sub>2</sub> and 3000 gallons of methanol and basically  
18 lost the well. The most it would ever produce after that  
19 again was 500 MCF a day and 5 barrels of oil.

20 We subsequently set a cast-iron bridge plug at a  
21 depth of 11,966, and we moved up to the lower Atoka  
22 interval. This lower Atoka interval is at a depth of  
23 11,884 to -907. We perforated this zone, acidized it with  
24 2500 gallons. The well came on at a rate of 1.5 million  
25 cubic feet of gas per day. It's currently produced about

1 .4 of a BCF, and it's producing at a rate of 2.7 million  
2 cubic feet of gas per day and 52 barrels of oil per day.

3 Q. Mr. Baker, if I could stop you right there,  
4 what's your target for the proposed well?

5 A. The target for the proposed well will be this  
6 Austin-Morrow zone that is shown in this Mayfly "14" State  
7 Com Number 1 well right here at that approximate depth of  
8 12,040 to 12,047, the one that we subsequently frac'd and  
9 messed up.

10 Q. Okay.

11 A. As you continue on to the right on your cross-  
12 section, we will go into the northeast quarter of the  
13 northeast quarter of Section 15. This is the Chesapeake  
14 Operating Boyce "15" Number 1. This well was drilled as a  
15 12,300-foot lower Mississippian test. They originally  
16 attempted a completion in the Austin-Morrow zone. I have  
17 marked the perforations on this log here. They originally  
18 perforated 11,932 to 11,938.

19 They subsequently perforated it with the lower  
20 Atoka zone at a depth of 11,803 to -809. They immediately  
21 frac'd the well with 240 tons of CO<sub>2</sub> and 52,000 pounds of  
22 interproppant. The well basically flowed back at a rate of  
23 390 MCF a day and 9 barrels of oil, and then they set a  
24 bridge plug at 11,760 feet and subsequently moved up to the  
25 upper Atoka zone.

1           The perforated this interval from 11,523 to a  
2           maximum depth of 11,671. They acidized with 60-percent CO<sub>2</sub>  
3           foam acid, 210 tons of CO<sub>2</sub>, 60,000 pounds of interproppant.  
4           The well came on at a rate of 1.8 million cubic feet of gas  
5           and 55 barrels of oil and is currently producing from the  
6           upper Atoka zone only.

7           Q.    Is that the -- the well that you just went  
8           through, is that the orange well that's shown on Exhibit 4  
9           in the northeast quarter of Section 15?

10          A.    Yes, sir, it is.

11          Q.    Okay. Is that a standard or an unorthodox  
12          location?

13          A.    That one is a standard location.

14          Q.    Now, it's draining from the upper Atoka; is that  
15          right?

16          A.    Yes, sir, this one is draining only from the  
17          upper Atoka interval at this time.

18          Q.    Do you have any knowledge as to whether that zone  
19          is in communication with any other zone in this area?

20          A.    No, sir, all of these stratigraphic sands are in  
21          noncommunication with each other, directly.

22          Q.    Okay.

23          A.    Continuing on the cross-section, let's move down  
24          into the -- that would be the southeast quarter of the  
25          northeast quarter of Section 15, and on our cross-section,

1 this is the Chesapeake Operating Boyce "15" Number 3.

2 This well was originally planned to be drilled as  
3 a Strawn test. Chesapeake is said to have gotten lost and  
4 missed the Strawn and drilled down and actually ended up in  
5 the lower Mississippian. They missed the Strawn. At that  
6 time they were unorthodox in the lower Miss. They did pick  
7 up the upper Atoka and the lower Atoka and an Austin-  
8 Morrow.

9 They subsequently came to the OCD requesting an  
10 unorthodox location and approval to produce these wells  
11 down here. They were given approval to complete in the  
12 Morrow, as well as the Atoka. They originally attempted  
13 this Austin-Morrow zone that I have marked on your cross-  
14 section from a depth of 11,770 feet to 11,780 feet. They  
15 perforated the interval, acidized it, frac'd it with 40,000  
16 of interprop, and the most the well would ever produce was  
17 at a rate 208 MCF a day and 25 barrels of oil per day.

18 Now, having conversations with Robert Hefner from  
19 Chesapeake last month, I have found out that the well has  
20 been recompleted into the lower Atoka zone, that Brunson  
21 interval. They have not reported as of the last one --  
22 their perforated interval, but he did tell me that well is  
23 perforated in that interval, they set a bridge plug across  
24 the Morrow interval, and field reports have that well  
25 producing at approximately 2 million cubic feet of gas per



1 day from the lower Atoka interval right there.

2 To my knowledge, they have not tested the upper  
3 Atoka at this time.

4 Q. To your knowledge, is that lower Atoka a separate  
5 interval that's not in communication with the Austin-  
6 Morrow?

7 A. Yes, sir. These are, once again, separate  
8 intervals --

9 Q. Okay.

10 A. -- not in communication.

11 Q. And this is an unorthodox location on this well?

12 A. Yes, sir, this one was an unorthodox location  
13 right here.

14 Now, continuing on the cross-section, you will  
15 see the proposed re-entry. This is the David H. Arrington  
16 Oil and Gas, Inc., Mayfly "14" State Com Number 4. As you  
17 can see, we bottomed the well at a depth of 11,600 feet,  
18 probably 50 feet shy of the upper-Atoka-producing gas sand.  
19 What we're proposing to do is re-enter this wellbore at the  
20 current surface location and take it on down to a proposed  
21 total depth of 12,100 feet in an attempt to pick up this  
22 Austin-Morrow sand down in here and complete in it.

23 It is our belief that part of the problem in the  
24 completion of this Austin-Morrow interval is a water  
25 blockage. It appears like every time you put these big

1   fracs on this particular zone it water-blocks this zone and  
2   causes low productive volumes. Our original Mayfly "14"  
3   State Number 1, prior to a frac, was producing at a rate of  
4   1.5 million cubic feet of gas per day.

5           So it is a very sensitive zone, but we believe if  
6   we get down there and pick up this 7 to 8 feet that we had  
7   in the Mayfly "14" State Number 1, we can make a commercial  
8   producer at this location.

9           Now, continuing on down to the last well on your  
10   cross-section, this well right here is designated on the  
11   cross-section as the Mesa Petroleum Monsanto State Number  
12   1. This well was one of the original wells drilled out  
13   here in 1975. This well was drilled to a depth of 12,100  
14   feet and was completed in the lower Atoka zone. At that  
15   time they believed this to be a Morrow zone, and therefore  
16   that was for the classification for the Townsend-Morrow  
17   pool.

18           It was after subsequent drilling in 1993 that  
19   that this was truly the Morrow section they TD'd in and not  
20   the lower Miss, and therefore became the reclassification  
21   that all these upper zones that were once called Morrow are  
22   truly Atoka intervals in here.

23           It should be noted that this well was operated --  
24   At the time we picked up the leases in here, this well was  
25   operated by Five States Energy. We basically took a term

1 assignment on all of Section 14 for all the rights,  
2 excluding that particular producing horizon in there.

3 When we drilled the Mayfly "14" State Com Number  
4 1 to the north, the OCD required us to basically have one  
5 operator of record for the west half in here, so at this  
6 time David H. Arrington is operating that well as the  
7 Mayfly "14" State Com Number 6. But we are operating on  
8 behalf of Five States.

9 Q. Okay, and both -- What's shown on here is the  
10 Mesa Petroleum well, which is the Mayfly "14" State Com  
11 Number 6 --

12 A. Yes, sir.

13 Q. -- and then the David Arrington Mayfly "14" State  
14 Com Number 1 --

15 A. Yes, sir.

16 Q. -- presently being reclassified as Atoka --

17 A. North Shoe Bar-Atoka, yes, sir.

18 Q. Why don't you then turn to Arrington Exhibit  
19 Number 6, identify that and explain that to the Examiner,  
20 please?

21 A. Okay, Arrington Exhibit Number 6 is an isopach of  
22 the primary target, which is the Austin pay interval. As  
23 you can see, Mr. Commissioner, that these are very narrow,  
24 thin, north-south-trending -- I don't know if they're  
25 actually channel sands or little bar sands, but they

1 definitely have a north-south orientation. They're very  
2 narrow.

3           You can see that the well up in Section 11,  
4 Yates's well, had approximately 7 feet of pay interval in  
5 it. As you move over across your cross-section, you see  
6 that it goes to zero in Section 10, and then as you move  
7 back to the east you pick the sand up in our Mayfly State  
8 Com Number 1. We had approximately seven feet of porosity  
9 in this. You move across the fence to Chesapeakes's well,  
10 they had nine feet of porosity in the Austin-Morrow.

11           Q. Are you at the well there in the northeast --

12           A. -- of the northeast, yes.

13           Q. It's hard to see that -- It's a 9?

14           A. Yes, sir. You cannot see that, I'm sorry for  
15 that, Mr. Commissioner. In that northeast-northeast, that  
16 9 is masked by that big red circle in there, but it had  
17 nine feet of porosity in there.

18           You drop on down to Chesapeake's well there in  
19 the southeast quarter of the northeast quarter, that "15"  
20 well had approximately nine feet of pay sand in it. You  
21 move across to our proposed location, and we're hoping to  
22 pick up the same seven feet of sand that we had in our  
23 Mayfly "14" State Com Number 1.

24           As you know, sir, I have designated where our  
25 proposed location is at, and then I've also designated

1 where a legal location would be at. And based on how  
2 narrow these little things are, we believe that at a legal  
3 location you would probably encounter one to two feet of  
4 sand, which would be certainly noncommercial.

5 As you move on down to the last well in the  
6 cross-section, this Mesa well, it had the section involved  
7 in it, but it was very, very tight and nonproductive.

8 Q. Okay. Now, your Chesapeake well here that's  
9 shown has nine feet of pay sand. I believe, according to  
10 your isopach, it had a commercial production -- or a  
11 production of 390 MCF per day; is that right?

12 A. Yes, sir.

13 Q. Does Arrington consider that commercial for a re-  
14 entry if you can hit that sand?

15 A. Well, yes, sir, and the way we looked at this is  
16 that as a low side we believe that 390 MCF for the cost to  
17 re-enter and deepen this at today's gas prices would make  
18 this commercial. It is certainly not our intent to -- The  
19 best we can hope for is 390 MCF. We're in hopes of  
20 obtaining that 1.5 million a day, which is what we had in  
21 the Mayfly "14" State Com Number 1, but 300 MCF a day at  
22 the cost to do this with today's gas prices will pay out in  
23 about seven months, actually.

24 Q. Do you believe that there's a standard location  
25 in this section that meets your geologic and commercial

1 criteria?

2 A. No, sir, we do not.

3 Q. In your opinion, does this unorthodox location  
4 provide the best means of recovering the reserves under  
5 this property, prevent waste and protect your correlative  
6 rights?

7 A. Yes, sir, we believe so.

8 Q. Were Arrington Exhibits 1 through 6 prepared and  
9 compiled under your supervision and direction?

10 A. Yes, sir, they were.

11 MR. FELDEWERT: Mr. Examiner, I would move  
12 admission into evidence, Arrington Exhibits 1 through 6.

13 EXAMINER STOGNER: Exhibits 1 through 6 will be  
14 admitted into evidence.

15 MR. FELDEWERT: And Mr. Examiner, that concludes  
16 my direct examination of this witness.

17 EXAMINER STOGNER: Thank you.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. Baker, what are these wells costing down to  
21 test the Mississippian these days, if this was a new drill?

22 A. \$1.5 million.

23 Q. And what's your proposed cost on this deepening?

24 A. \$351,000.

25 Q. Has this proposed -- or the -- I'm sorry, let me

1 rephrase that. Has the APD for this proposed deepening of  
2 this well been submitted to the District Office in Hobbs  
3 yet?

4 A. No, it has not.

5 Q. Okay, do you foresee any problems with the  
6 surface or intermediate string of casing, handling what  
7 appears to me a well that wasn't drilled to test some  
8 higher gas pressures?

9 A. Well, sir, in a normally pressured reservoir you  
10 might have some. We ended up running 5-1/2-inch casing in  
11 that Mayfly "14" State Com Number 4.

12 Now, I should mention that the bottomhole  
13 pressure in this Austin-Morrow zone in our Mayfly "14"  
14 State Com Number 1 was 2600 pounds. Therefore it's not  
15 even a normally pressured reservoir. So when we go in  
16 here, we will propose to run a liner but do the low  
17 pressure, which is also, I think, part of the completion  
18 problem in here, since it has such a low bottomhole  
19 pressure. I think it inhibited the production when they  
20 put a whole bunch of fluid on these things with these big  
21 fracs.

22 But to answer your question, sir, I do not  
23 believe it will be a problem with this pressure.

24 Q. Ocean Energy had the same idea, I believe, at one  
25 time.

1 A. Yes, sir.

2 Q. Was it before Ocean?

3 A. Yes, sir -- Well, it was Ocean. It was General  
4 Atlantic prior to then, but they had the same concepts,  
5 yes, sir.

6 Q. Okay, and where was that blowout?

7 A. It was over in Section 10. Do you see the well  
8 there in red? I'm sorry, look at one of one of your maps,  
9 Mr. Commissioner, either the structure or the isopach.  
10 You'll see a well in red. That's the Carlisle well right  
11 there.

12 Q. Okay.

13 A. Now, that Carlisle zone right there is -- it's a  
14 lower zone in the Morrow interval, and it was high-  
15 pressured, and I think it's because it was localized. It  
16 was in a separate little fault block right in there, and no  
17 one has ever found that zone, that specific zone, again.  
18 But yes, sir, that one was a high-pressured. And it was  
19 unusual that when we got over to where we were at, we  
20 didn't even have a normal pressured well.

21 Q. Okay, let's see. Back to your proposed re-entry.  
22 There's presently 5-1/2-inch casing in that well?

23 A. Yes, sir.

24 Q. And what's the depth that 5-1/2 is set at?

25 A. It would be set right at the very top of the



1     Strawn, because we turned and went horizontal, which would  
2     be an approximate depth, sir, of about eleven thousand two  
3     hundred and -- probably forty feet, approximately. We set  
4     it right at the top of the Strawn. Of course, we turned  
5     and went open-hole out horizontal in that well.

6           Q.     Okay. Now, what's your proposed completion of  
7     this well, should it be a producer in the Mississippian or  
8     Morrow?

9           A.     Well, we'll take it on down, and if we have  
10    productive zones down there, they'll run a liner in there  
11    and then cement that liner in and just perf it and acidize  
12    it.

13          Q.     So what kind of a liner, about 3-1/2-inch liner?

14          A.     Mr. Stogner, I cannot honestly tell you that.  
15    Let me look at -- Maybe on my AFE here.

16          Q.     But regardless, it's going to be a slimhole-type  
17    completion below the 5-1/2-inch?

18          A.     Yes, sir, and he does have 3-1/2-inch in here.

19          Q.     Okay, 3-1/2-inch --

20          A.     Yes, sir.

21          Q.     -- cemented all the way back to tie-in?

22          A.     Yes, sir.

23          Q.     Okay. Do you, by chance have the records of what  
24    the cement used on the 5-1/2 -- Was that tied back to the  
25    surface?

1           A.    No, sir, I'm 90-percent sure that was not tied  
2 back --

3           Q.    Okay.

4           A.    -- because we did not have -- I imagine we ran it  
5 back -- We generally run that back to about 9000 feet.

6           Q.    But regardless, that kind of data will be  
7 finalized by the District Office?

8           A.    Yes, sir.

9           Q.    You mentioned early in your testimony about a JOA  
10 in place.

11          A.    Yes, sir.

12          Q.    Can you give me a little bit more detail on that?  
13 Because you did mention that the Atoka zone has a different  
14 operations agreement or something?

15          A.    Well, when we went in here and drilled the Mayfly  
16 "14" State Com Number 1, we designated it as a west-half  
17 lower Mississippian test. And under that, all of our  
18 parties were subject to a joint operating agreement and  
19 signed that joint operating agreement covering down through  
20 that depth. Basically, it's Arrington, *et al.*'s and  
21 Chesapeake, that's the two principal parties in here.

22          Q.    Okay, and the State of New Mexico is the royalty  
23 interest, it appears --

24          A.    Yes, sir.

25          Q.    -- from Exhibit Number 1 --

1 A. Yes sir.

2 Q. -- of the whole, entire section?

3 A. Yes, sir.

4 Q. Do you know if that is several leases for the  
5 west half, or do you know -- Would you have any idea?

6 A. Mr. Stogner, I prefer not to -- I don't know  
7 that.

8 Q. I understand. Were you involved when the Mayfly  
9 "14" State Com Number 1 was drilled?

10 A. Yes, that was my location.

11 Q. Okay, what's the footage on that again?

12 A. That was at 330-330, and we did come to the OCD  
13 seeking relief, and working a deal with Yates Petroleum, a  
14 joint deal across the fence with them. They agreed, that  
15 well being subject to a penalty, production penalty.

16 EXAMINER STOGNER: Do you have reference, Mr.  
17 Feldewert, or do you, on that case and order number from  
18 that particular well?

19 MR. FELDEWERT: No, I can find out, though.

20 EXAMINER STOGNER: If you would, and let me know.

21 MR. FELDEWERT: It would be the order number for  
22 the Mayfly "14" Number 1?

23 THE WITNESS: Yes, sir.

24 Q. (By Examiner Stogner) Do you know about how long  
25 ago you were here for that?

1           A.    Well --

2           Q.    Just roughly.

3           A.    -- it would have been probably October of 1999,  
4 I'm guessing, sir, because we drilled the well, I want to  
5 think, a month or two later. The second half of 1999  
6 sometime.

7           Q.    When did you propose the well? I mean, you  
8 drilled it in October of 1999?

9           A.    I think so.

10          Q.    When were you --

11          A.    -- proposing to the parties?

12          Q.    Yes, yes.

13          Q.    Well, we had drilled a number of wells in here.  
14 We were under a development phase at that time. We had  
15 probably proposed that well back in early summer of 1999,  
16 would have been my guess, Mr. Stogner. We had already  
17 drilled the Mayfly "14" State Com Number 2, which was a  
18 Strawn well out here, and I believe we may have even  
19 drilled the 3, which is another Strawn well, before we  
20 drilled the Number 1.

21          Q.    On that Number 1 well -- Well, obviously you have  
22 proposed it down to test the Mississippian.

23          A.    Yes, sir.

24                EXAMINER STOGNER: Any other -- I don't have any  
25 other questions of Mr. Baker.

1           You may be excused.

2           Anything further in Case Number -- whatever this  
3 one is?

4           MR. FELDEWERT: No, Mr. Examiner.

5           EXAMINER STOGNER: In that case, then Case Number  
6 12,608 will be taken under advisement.

7           Thank you, Mr. Baker.

8           THE WITNESS: Thank you, sir.

9           (Thereupon, these proceedings were concluded at  
10 8:58 a.m.)

11                   \* \* \*

12  
13  
14  
15  
16  
17           I hereby certify that the foregoing is  
18 a complete and true record of the proceedings  
19 the examination hearing of Case No. 12608  
20 heard by me on 18 March 2000  
21  
22  
23  
24  
25

CERTIFICATE OF REPORTER

[illegible]

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 March 12th, 2001.

*Steve R. Green*

STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002