

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. 12,631

APPLICATION OF OXY USA WTP LIMITED)
 PARTNERSHIP FOR COMPULSORY POOLING,)
 EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 5th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, April 5th, 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.

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OIL CONSERVATION DIV.

I N D E X

April 5th, 2001
Examiner Hearing
CASE NO. 12,631

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A P P E A R A N C E S

FOR THE APPLICANT:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 8:37 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 12,631, the Application of OXY USA WTP Limited
5 Partnership -- I assume for compulsory pooling, Eddy
6 County, New Mexico.

7 Call for appearances in this case.

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 CATANACH: Okay, any additional
13 appearances?

14 Will the two witnesses please stand to be sworn
15 in?

16 (Thereupon, the witnesses were sworn.)

17 DOUGLAS W. HURLBUT,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. KELLAHIN:

22 Q. Mr. Hurlbut, for the record, sir, would you
23 please state your name and occupation?

24 A. Douglas W. Hurlbut, I'm a petroleum landman.

25 Q. And where do you reside, sir?

1 A. In Midland, Texas.

2 Q. What is your current relationship with OXY USA?

3 A. I'm under contract with OXY. I'm an independent
4 petroleum landman under contract with OXY.

5 Q. As part of your contract responsibilities with
6 OXY, have you assumed responsibilities for the
7 consolidation of the various interests for what we've
8 called the OXY Limousine Federal Com Well Number 1?

9 A. Yes, sir.

10 Q. You're familiar with the land ownership
11 arrangements in the west half of the section?

12 A. Yes, I am.

13 Q. And you've assumed responsibility for determining
14 if there are any additional people for which you can obtain
15 voluntary agreement?

16 A. Yes, I have.

17 Q. And at this point in time are there parties or
18 individuals that you have not been able to reach a
19 voluntary agreement with?

20 A. Yes, there are.

21 MR. KELLAHIN: We tender Mr. Hurlbut as an expert
22 petroleum landman.

23 EXAMINER CATANACH: He is so qualified.

24 Q. (By Mr. Kellahin) Mr. Hurlbut, let's take a
25 moment and show Examiner Catanach what's involved in this

1 particular case. If you'll take a moment and look at the
2 first page of Exhibit 1, identify for us the spacing unit
3 that you're proposing to have pooled.

4 A. It's the west half of Section 15, Township 20
5 South, Range 25 East, Eddy County, New Mexico.

6 Q. Let's turn to the second page, which simply
7 duplicates the first plat but then subdivides the spacing
8 unit.

9 A. Correct.

10 Q. Describe for the record how you've numbered the
11 tracts and how you have subdivided the west half of the
12 section.

13 A. We subdivided this proration unit, being the west
14 half of 15, into the four tracts, and we did this in
15 compliance with our title examination we had done by the
16 lawyer. Tract 1 is a federal lease that we own, Tract 2 is
17 a federal lease that we own, Tract 3 and Tract 4 are fee
18 tracts where we have the unleased mineral interests.

19 Q. So you'll need to pool certain owners within the
20 southwest quarter of Section 15 to form the spacing unit in
21 the west half of the section?

22 A. Correct, that's right.

23 Q. Let's turn to Exhibit Number 2, which is my
24 certificate of notice to the parties of the Application for
25 pooling and have you turn to Exhibit A, which is a two-page

1 exhibit. Do you see that?

2 A. Yes, sir.

3 Q. At the time this case was filed and the notice
4 sent, did this represent the remaining interest owners in
5 the southwest quarter of the section --

6 A. Yes, sir.

7 Q. -- with whom you had not received a voluntary
8 agreement?

9 A. Correct.

10 Q. As of this morning, are there certain companies
11 or individuals whom we may now delete from this list?

12 A. Yes, we can. We can delete Harvey E. Yates
13 Company. They didn't have a mineral interest, they had a
14 leasehold interest, and so we've already made arrangements
15 with them so we can delete them from this action.

16 About the fourth one down is Robin Hall, we did
17 get an oil and gas lease from her.

18 And next to the bottom is -- second from the
19 bottom is Nearburg Petroleum Partnership, and we also got
20 an oil and gas lease from them.

21 But we have not been able to obtain any oil and
22 gas leases or any agreements from the rest of the parties
23 listed.

24 Q. On both pages of Exhibit A?

25 A. Right, page one and page two.

1 Q. To the best of your knowledge, do the addresses
2 listed on this attachment to the notification represent our
3 best effort to obtain current and accurate addresses?

4 A. Yes, sir, they do.

5 Q. Let's turn past Exhibit Number 2 and look at
6 Exhibit Number 3. This package of documents represents
7 what, Mr. Hurlbut?

8 A. Well, this was a letter that I sent out at that
9 point when we thought we'd have everything leased up -- I
10 mean -- and we had these parties we had not leased, and I
11 thought, well, we'll go ahead and send them an AFE to see
12 if they elect to participate in the well. And of all those
13 parties, my attachment there -- of course, there's a list
14 of people who we sent it to certified.

15 Q. All right, if we turn past the cover sheet then
16 we can see your notice list?

17 A. Right.

18 Q. And there's a handwritten notation associated
19 with the names. What does that indicate?

20 A. Well, the first grouping there on that page one,
21 those are the working interest owners. They signed the
22 AFE, they also signed the green card, certified green card,
23 which I had gotten back to them.

24 Then some other notations I've noticed --
25 Nearburg down at the bottom, they signed by green card, but

1 they went ahead and leased.

2 And then down at the bottom this Bryon Mann, I
3 had -- and there are several of those. My certified
4 letters were returned. You know, they were not picked up,
5 and so they were sent back to me. And some of them I got
6 back the green cards that were signed, but these people
7 didn't contact us, so...

8 Q. At this point do you believe you've exhausted
9 good faith efforts to propose the well and spacing unit to
10 the interest owners that have not yet committed?

11 A. Right, I believe so.

12 Q. Let's turn past that tabulation --

13 A. Okay.

14 Q. -- and I find an AFE.

15 A. Correct.

16 Q. This AFE is dated November 1st of last year?

17 A. Correct.

18 Q. Did you send a copy of this AFE with the January
19 15th letter to the people on the notice list?

20 A. Yes, I did.

21 Q. At that point in time was this an accurate AFE?

22 A. It was at that time.

23 Q. And since then it's been increased and modified
24 due to escalation of costs?

25 A. Correct.

1 Q. Let's turn past the AFE, and there's another
2 letter dated January 15th of this year. What does this
3 represent?

4 A. Well, this was a -- Sheldon Smith is a petroleum
5 landman in Midland who was helping us put these tracts
6 together, and he did most of the contacts, talking to
7 people you know, interviewing the family members, whatever,
8 trying to ascertain addresses of people and to -- he even
9 checked on the Internet, and he even checked probate
10 records in Eddy County. And so that's basically what that
11 is.

12 I asked him just to send me a tabulation of what
13 he had done or tried to do in order to try to lease all the
14 interests up, so that's basically what that is.

15 Q. After the first January 15th letter, there is a
16 second January 15th letter. What does that represent?

17 A. Well, that represents the same thing, basically,
18 except that one represents the 40-acre tract, and the
19 previous letter represents a 120-acre tract in the
20 southwest quarter of that section. And it, you know, shows
21 the names of the parties and their exact interest that they
22 own in there.

23 Q. My final topic for you to address, Mr. Hurlbut,
24 is the issue of what, in your opinion, is an appropriate
25 overhead rate to apply to the parties being pooled. Do you

1 have a recommendation on a monthly basis for the Examiner?

2 A. Well, the \$5500 drilling well rate and a \$550
3 producing well rate.

4 Q. That represents an average rate within the ranges
5 shown on Ernst and Young in their current tabulation of
6 overhead rates?

7 A. Yes, it does.

8 Q. And you would ask the Examiner also to apply the
9 provision of the pooling order that allows those charges to
10 be escalated pursuant to the COPAS bulletin?

11 A. Correct.

12 MR. KELLAHIN: Mr. Examiner, that concludes my
13 examination of Mr. Hurlbut. We move the introduction of
14 his Exhibits 1, 2 and 3.

15 EXAMINER CATANACH: Exhibits 1, 2 and 3 will be
16 admitted as evidence.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Hurlbut, do you have a new AFE for this well?

20 MR. KELLAHIN: We do, and I have an engineering
21 witness that will address that, Mr. Catanach.

22 EXAMINER CATANACH: Okay. At this point, have
23 the interest owners been provided a copy of the new AFE?

24 MR. KELLAHIN: I don't believe we've sent --
25 We've just revised the AFE, and we have not sent it to

1 them. We will do so pursuant to the provisions of the
2 pooling order.

3 THE WITNESS: Yeah, for the working interest
4 owners and all parties who are electing to participate we
5 will be sending out a new AFE for those parties.

6 Q. (By Examiner Catanach) Is it my understanding
7 that Mr. Smith was the one that actually tried to locate
8 the interest owners that he wasn't able to find?

9 A. Correct, correct.

10 Q. And there are several notations on his letter to
11 you about what procedures he went through to try and find
12 these interest owners?

13 A. Correct.

14 Q. Did you talk to him about this procedure or
15 confer with him?

16 A. Oh, yeah, we've talked numerous times on the
17 telephone. He even came over to my office numerous times
18 and we talked about it.

19 Q. And can you go over briefly what he did to try
20 and find these interest owners?

21 A. Well, he checked the records to see if there was
22 any addresses in the record he use. He did -- In some
23 cases we were able to find some addresses. I used to work
24 at Yates Petroleum Corporation out of Artesia, and Yates
25 has a pretty good database of mineral owners, and I even

1 called Yates and found some people in that direction, and
2 we were able to lease some of those people that way.

3 They also had unleased people in some of their
4 titles and some of their properties, and then we looked on
5 the Internet and checked the Internet out and even talked
6 to family members and kind of exhausted all our search
7 efforts through that direction, you know, to find these
8 people.

9 Some of these -- I think what the problem is is,
10 some of these interests are so small that they, you know,
11 probably just don't really care about them. I know one of
12 the deals with one of the tracts, you know, if you look at
13 it, if I was paying the guy \$1000 an acre, I think he'd
14 only get a check for \$10 for a bonus consideration. So it
15 represents a pretty small interest.

16 So I would imagine some of the people probably
17 just didn't really care, because I know that they got our
18 certified letters, because we got the green cards back that
19 they had been delivered, but they just never bothered to
20 contact us. And I know that he had made several attempts
21 to send letters to them, you know, with oil and gas leases
22 and all that stuff.

23 So I think we did everything we could in order to
24 get these people leased up.

25 Q. What percentage of interest do you have

1 consolidated at this point?

2 A. Well, let's see here. In that Tract Number 3 we
3 lack -- which is the -- Tract Number 3 is that north half,
4 southwest and the southwest-southwest, that 120-acre tract.
5 We do not have 13.3332 percent leased.

6 And on Tract Number 4, which is the southeast
7 quarter of the southwest quarter, we lack 4.7339 percent of
8 having that leased.

9 Totally we have 18.0671 acres that we have not
10 leased under that proration unit, and that would mean that
11 we lack having 5.6459 percent of the unit leased.

12 Q. So you have approximately 95 percent voluntary?

13 A. Right. I think there were, you know -- I think
14 we've got something like about 75 or 80 oil and gas leases,
15 just on that 320-acre tract, two federal leases and then
16 the rest of it are these fee owners. So it's pretty well
17 chopped up.

18 Q. So you were able to sign up the majority of the
19 interest owners?

20 A. Oh, sure, yeah.

21 Q. So you are satisfied that you guys did everything
22 within reason to find these other interest owners?

23 A. I believe so, yes, sir.

24 EXAMINER CATANACH: Okay, I have no further
25 questions.

1 MR. KELLAHIN: I would ask that you also admit
2 Exhibit 4. I neglected to ask you to introduce that. That
3 was the first AFE.

4 EXAMINER CATANACH: Okay, Exhibit 4 will be
5 admitted as evidence.

6 MR. KELLAHIN: Mr. Catanach, our next witness is
7 Mr. Gary Womack. Mr. Womack is a petroleum engineer with
8 geologic experience.

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

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q. For the record, sir, would you please state your
15 name and occupation?

16 A. I'm Gary Womack, petroleum engineer, OXY USA.

17 Q. And where do you reside, sir?

18 A. Midland, Texas.

19 Q. On prior occasions have you testified before the
20 Division?

21 A. No, I have not.

22 Q. Summarize for us your education. When and where
23 did you obtain your degree?

24 A. I have a master of science in petroleum
25 engineering with a minor in geology from Texas Tech

1 University, 1993.

2 Q. Pursuant to your current employment with OXY, do
3 you on a regular basis analyze cases like this and reach
4 engineering and geologic conclusions?

5 A. Yes, sir, I do.

6 Q. Are the exhibits we're about to see prepared in
7 association with Mr. Bob Doty?

8 A. Yes, sir, they were.

9 Q. Do you and he work together on assessing where
10 and how to drill wells like this?

11 A. Yes, I do.

12 Q. As part of your preparation, are you aware of the
13 fact that the Division is allowed to award OXY a risk
14 factor penalty associated with this pooling case?

15 A. Yes, I do.

16 Q. And are you aware that the maximum is 200
17 percent?

18 A. Yes.

19 Q. Within the context of that rule, do you have an
20 opinion as to the risk associated for this well?

21 A. Yes, I do.

22 MR. KELLAHIN: We tender Mr. Womack as an expert.

23 EXAMINER CATANACH: Mr. Womack is so qualified.

24 Q. (By Mr. Kellahin) Mr. Womack, what in your
25 opinion is the appropriate risk factor penalty?

1 A. Two hundred percent.

2 Q. Describe for us the basis for that opinion.

3 A. Okay, referring to the base map, Exhibit 1 --

4 Q. All right, sir, this would be the base map, the
5 first one we introduced today?

6 A. Yes, sir.

7 Q. Let's look at that and have you give me your
8 reasons.

9 A. As noted on the base map, you can see the
10 producing zones are denoted by the legend of the colors at
11 the bottom of the page, with the orange being the Cemetery-
12 Morrow, which is the primary zone and actually the only
13 zone of any economic value in this area.

14 And there are only two other wells on this base
15 map that produce from any other zone, that being the
16 Nearburg Anderson Com Number 1 in Section 10, which did
17 produce briefly from the Dagger Draw East-Strawn,
18 uneconomic volumes, also the Amoco Rios Siete Number 1 in
19 Section 11, which produced briefly uneconomic volumes from
20 the Cemetery-Yeso.

21 Q. When we look at the wells on Exhibit 1 and those
22 in the Cemetery-Morrow, how many of these wells are not
23 economic in the Morrow? Is there a number associated with
24 these?

25 A. There's a number of associated wells. Referring

1 to Exhibit Number 5 --

2 Q. All right, let's look at Exhibit Number 5. First
3 of all, what are we looking at here?

4 A. Okay, we'll be looking at the red numbers labeled
5 -- they're labeled red numbers which -- right above the
6 well symbols.

7 Q. All right, there is a number of well symbols, and
8 there are certain well symbols that are circled in red?

9 A. That's correct.

10 Q. And then above the red circle is a number in red?

11 A. Right, that is the cumulative volume produced
12 from the Morrow.

13 Q. What cumulative volume would be necessary, in
14 your opinion, to make the well commercial?

15 A. Approximately 400.

16 Q. All right, so if we look through here and find
17 those wells that made less than 400,000 MCF, those would be
18 less than commercial?

19 A. That's correct.

20 Q. Other than the high risk of a commercial well
21 being drilled in this area, is there any risk associated
22 with the structure?

23 A. Yes, sir, there is.

24 Q. This is a structure map, is it not?

25 A. That's correct.

1 Q. Describe for us what that risk is associated with
2 structure.

3 A. Okay, noted on the map is a cross-section denoted
4 by the A-A' line. Also on the map, the key well, there's
5 actually three wells in this cross-section, from left to
6 right, the Phillips Royal A Number 2 in Section 16, the
7 Nearburg Anderson 11E Number 1 in Section 11, and the
8 Nearburg Huber Federal Number 1 in Section 3.

9 Q. Let's illustrate that relationship. If you'll
10 set aside the structure map for a moment, let's turn to
11 Exhibit 6, which is the cross-section you've just
12 identified, and starting with A' on Exhibit 6, describe the
13 relationship between the Phillips well and the two Nearburg
14 wells.

15 A. Okay, on the cross-section we basically have
16 three different markers, the top marker being the top of
17 the Morrow clastics. The second marker is the gas-water
18 contact identified in all three wells at subsea 6033. The
19 last -- the bottom marker is the bottom of the Morrow
20 producing zone.

21 Q. In reaching a conclusion or opinion about risk,
22 what is the significance of having a gas-water contact
23 projected through the area shown on Exhibit 6?

24 A. Well, it's very -- There is significant risk
25 associated with the location, the OXY Limousine location,

1 as far as being below the gas-water contact.

2 Q. What are you hoping for by a well drilled in the
3 west half of 15 at this particular location?

4 A. We're hoping to get a well similar in section to
5 the Nearburg Huber Federal Number 1.

6 Q. And when you look at the Huber Federal Number 1,
7 what is it about that well that makes you want to have one
8 that's similar?

9 A. It's the thickness of the section and the
10 structural position which allows perforation of this sand
11 and the top portion of the interval.

12 Q. That perforation of the top portion with a
13 thicker interval would allow you to have the opportunity
14 Nearburg enjoyed of avoiding the water?

15 A. That's correct.

16 Q. If you're unfortunate and have a well like the
17 Phillips well, what happens to you?

18 A. The Phillips well was uneconomic due to water
19 production. They were not able to produce the well without
20 significant water volumes.

21 Q. And therein lies the risk?

22 A. That's correct.

23 Q. There is no additional information other than
24 what you've displayed to mitigate the risk?

25 A. No, sir.

1 Q. Let's turn to a different topic now, Mr. Womack,
2 if you'll address the costs involved in this well. When
3 the AFE was originally circulated to the remaining working
4 interest owners, it was an AFE dated in November of last
5 year. Since then has OXY had to revise its AFE for this
6 well?

7 A. That is correct.

8 Q. I'm going to ask you to look at what is marked as
9 Exhibit 7, and what is that, sir?

10 A. That is an AFE.

11 Q. And is this the revised one?

12 A. Yes, it is.

13 Q. Describe for us in a summary way what were the
14 reasons necessary for the revision.

15 A. Escalating drilling cost.

16 Q. For example, what does that amount to in general
17 terms?

18 A. The primary factor was the -- referring to the
19 second page of the AFE, which is the drilling detailed well
20 estimate. Under the "Intangible" column heading, the first
21 line is "Contract Drilling Labor". That is the main factor
22 here. The difference in the day rate was \$6850 on the
23 first AFE, and the second revised AFE day rate is \$10,500.

24 Q. All right, there's more than \$100,000 associated
25 with that item by itself?

1 A. Yes, sir.

2 Q. And have you reviewed the items on Exhibit Number
3 7 on this AFE?

4 A. Yes, I have.

5 Q. And in your opinion does this represent a
6 reasonable and current fair estimate of the costs now to be
7 charged to the Limousine Federal Well Number 1?

8 A. Yes, they do.

9 Q. Would you recommend that this AFE be adopted by
10 the Division so that it may be circulated pursuant to a
11 pooling order to those interest owners who are not yet
12 committed to the well?

13 A. Yes, I do.

14 MR. KELLAHIN: That concludes my examination of
15 Mr. Womack. We move the introduction of his Exhibits 5
16 through 7.

17 EXAMINER CATANACH: Exhibits 5 through 7 will be
18 admitted as evidence.

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. Womack, on your Exhibit Number 5, when you
22 say the estimated limits of the main Morrow channel, are
23 those -- those aren't zero lines on each of the ends, are
24 they, as far as the sand thickness?

25 A. The -- To the south, the limits of the channel

1 are just unknown, basically due to well control, and that's
2 how that is denoted there.

3 Q. But you don't have a sand thickness on your
4 channel, on your Morrow channel there?

5 A. No, sir.

6 Q. What you're depicting, you're not depicting zero
7 lines on either side of that channel, are you?

8 A. I'm not sure if I understand that question, Mr.
9 Examiner.

10 Q. Are you -- When you say the estimated limits of
11 the main Morrow channel, what does that mean, exactly?
12 What are you depicting with that red-shaded area?

13 A. Okay, to the south the limits of that channel are
14 unknown due to the well control. It's likely that they
15 could extend.

16 Q. I'm still not sure I'm getting the answer that
17 I'm looking for. Is that a Morrow thickness interval that
18 you've shaded in red there? Is that the sand thickness?

19 A. No, that just is depicting the areal extent, is
20 what that attempts to do. It was noted -- This channel was
21 noted in basically five wells, which are the Phillips A
22 Number 2, the Nearburg Anderson 10J in Section 10, the
23 Nearburg Anderson 11E, Section 11, also the Nearburg
24 Anderson Com Number 1 in Section 10, as well as the best
25 well in the nine-section area, which was the Nearburg Huber

1 Federal Number 1.

2 Q. So those are the wells that are completed in this
3 particular sand; is that what you're saying?

4 A. That is correct.

5 Q. Now, the well to the west in Section 16, the
6 Phillips Royal A Number 1, are you testifying that that's
7 not completed in this particular sand?

8 A. No, I'm not.

9 Q. Is that completed in this particular sand, or is
10 it producing from this sand?

11 A. It did produce 629 million from the Morrow. I
12 cannot testify that was from the exact correlative
13 interval.

14 Q. Well, I'm still not sure I'm clear on what that
15 red-shaded area is depicting.

16 A. Okay, well, it also attempts to depict the limits
17 of the productive area in regards to the subsea water
18 contact of 6033. That may be what you're looking for
19 there.

20 The Nearburg Anderson 11E well in Section 11,
21 which is on the cross-section, did have the subsea water
22 contact at 6033, and also the Phillips A Number 2 -- you
23 know, referring to the cross-section, that shows the subsea
24 water contact in all three wells.

25 It is my opinion that the limits, productive

1 limit to the east, that the Morrow is uneconomic due to
2 that subsea water contact. And I think that that is
3 depicted by the cumulative volumes on the wells to the east
4 in Sections 14, 15, 11 and 2, which were uneconomic
5 producers from the Morrow.

6 Q. Uh-huh, okay. Well, what would the western red
7 line depict? I've noticed in that Phillips well that you
8 do have "tested wet" --

9 A. Yes, sir.

10 Q. -- but that wasn't a result of it being completed
11 in the water interval; is that right?

12 A. Right, referring back to the cross-section,
13 Exhibit Number 6, the Phillips Royal A Number 2, being the
14 first well to the left, the perforated interval was the
15 9458 to 9490.

16 My estimation of why this well was wet was, you
17 know, basically due to the fact that the well had to be
18 perforated lower in the section, which was too close to the
19 gas-water contact.

20 Q. Uh-huh.

21 A. And there was -- you know, as far as moving a
22 well to the west, it would be my opinion that moving a well
23 further to the west, the Phillips A Number 2, would make it
24 productive. However, we don't --

25 Q. I'm sorry, it would make it what?

1 A. Would make it likely productive in that interval,
2 if the sand was present. Now, maybe your question about
3 the Royal A Number 1, because it was an economic producer.

4 Q. Well, the Royal A Number 2, it says "tested wet",
5 and you think that was a result of water channeling?

6 A. There was some evidence it was water channeling.
7 It is my opinion, though, it was perforated also too deep
8 in the interval. And, you know, the reason for that is --
9 you know, I'm not sure why they perforated it that deep in
10 the interval.

11 However, the main problem also arises from just
12 the thickness of the sand in the Royal A Number 2.

13 Q. I guess that's where I'm confused. We don't
14 really have an isopach map that shows the thickness of the
15 Morrow in this area.

16 A. That's correct.

17 Q. Do you know why you chose not to supply an
18 isopach map?

19 A. No, the main -- the key well was the Royal A
20 Number 2, but I don't have a reason for not supplying an
21 isopach.

22 Q. The wells to the east in Section 15 and 14, is it
23 your opinion that those were uneconomic because of the sand
24 thickness or because of the structural location?

25 A. Structural location. However, there are two

1 primary risk factors, you know, which presence of the sand,
2 of course, is always a primary risk factor in the Morrow.

3 Q. Tell you what, why don't you just submit an
4 isopach map after the -- sometime after --

5 MR. KELLAHIN: All right, sir, we'll be happy to
6 do that.

7 EXAMINER CATANACH: We'll take a look at it.
8 Other than that, I have no further questions.

9 MR. KELLAHIN: All right, sir. Thank you.

10 EXAMINER CATANACH: Is there anything else, Mr.
11 Kellahin?

12 MR. KELLAHIN: Not in this case.

13 EXAMINER CATANACH: There being nothing else,
14 Case 12,631 will be taken under advisement.

15 (Thereupon, these proceedings were concluded at
16 9:09 a.m.)

17 * * *

18
19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
the Examiner hearing of Case No. 12631,
22 heard by me on April 5 19 2001.
23 David H. Catanch, Examiner
24 Oil Conservation Division
25

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 April 9th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002