

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:)	
)	
APPLICATION OF PERMIAN RESOURCES, INC.,)	CASE NOS. 12,953
FOR COMPULSORY POOLING AND AN UNORTHODOX)	
WELL LOCATION, LEA COUNTY, NEW MEXICO)	
)	
APPLICATION OF PERMIAN RESOURCES, INC.,)	and 12,954
TO AMEND THE COST RECOVERY PROVISIONS OF)	
COMPULSORY POOLING ORDER NO. R-11,682,)	
LEA COUNTY, NEW MEXICO)	
)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 24th, 2002

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 24th, 2002, 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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I N D E X

October 24th, 2002
Examiner Hearing
CASE NOS. 12,953 and 12,954 (Consolidated)

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: J. SCOTT HALL

* * *

ALSO PRESENT:

WILLIAM V. JONES, JR.
Petroleum Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:10 a.m.:

3 EXAMINER STOGNER: At the request of legal
4 counsel, at this time I'm going to consolidate and call
5 Cases 12,953 and 12,954. 12,953 is the Application of
6 Permian Resources, Inc., for compulsory pooling and an
7 unorthodox well location, Lea County, and 12,954 is the
8 Application of Permian Resources, Inc., to amend the cost
9 recovery provisions of Compulsory Pooling Order Number
10 R-11,682, Lea County, New Mexico.

11 Call for appearances.

12 MR. HALL: Mr. Examiner, Scott Hall, Miller
13 Stratvert Torgerson law firm, Santa Fe, appearing on behalf
14 of the Applicant, Permian Resources, Incorporated, with two
15 witnesses this morning.

16 EXAMINER STOGNER: Any other appearances?

17 Will the witnesses please stand to be sworn?

18 (Thereupon, the witnesses were sworn.)

19 MR. HALL: Mr. Examiner, of course we'll take
20 these cases out of order. We'll start with testimony on
21 Case Number 12,954 first, if you don't mind. I think it
22 might facilitate handling of the two cases. They do
23 involve the same acreage.

24 You may recall that in September a year ago we
25 had a compulsory pooling case on Permian's Chambers Number

1 2 well, and during the course of testimony we discussed
2 with the Division Examiner the fact that there was a second
3 wellbore on the subject acreage for the Chambers Number 1
4 inactive well, and the possibility was discussed that that
5 well could be re-entered under the guise -- poor choice of
6 words, but under the authority of the pooling order that
7 would issue in Case Number 12,715.

8 And if were that the case, then what we would do
9 is come back with a subsequent application to the Division
10 to seek an A order, an amended order. It would be Order
11 11,682, was issued -- the order that was issued initially.

12 So what we're asking now is for the Division to
13 consider the fact that Permian has, in fact, re-entered the
14 Chambers Number 1 well, recompleted that in the Wolfcamp
15 formation at significant savings over a new drill. And
16 because of that, we would like the Division to readdress
17 the cost provisions of Order Number 11,682 and provide the
18 pooled, unleased mineral interest owners with an
19 opportunity to elect and with an opportunity to object to
20 reasonableness of well costs, should they so choose.

21 Now, in view of the fact that the Chambers Number
22 2 well in the original application was not drilled, I
23 thought it would be best to consolidate the two cases,
24 since we're also talking about another Chambers Number 2
25 well, in Case Number 12,953. So again, that's why we ask

1 for consolidation. I think we can keep things straight
2 that way.

3 So at this time, Mr. Examiner, I'd call Will
4 Porter to the stand.

5 WILLIAM L. PORTER,
6 the witness herein, after having been first duly sworn upon
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. HALL:

10 Q. For the record, please state your name, sir.

11 A. William Porter.

12 Q. Where do you live?

13 A. Midland, Texas.

14 Q. By whom are you employed?

15 A. Permian Resources, Incorporated.

16 Q. And what do you do for Permian?

17 A. I'm land manager.

18 Q. Mr. Porter, are you familiar with the
19 Applications that have been filed in these cases and the
20 lands that are the subject of the Applications?

21 A. I am.

22 Q. And you're familiar with the subject area?

23 A. Yes.

24 Q. You've previously testified before the Division
25 and had your credentials accepted as an expert professional

1 petroleum landman?

2 A. I have.

3 MR. HALL: Mr. Examiner, are the witness's
4 credentials acceptable?

5 EXAMINER STOGNER: They are.

6 Q. (By Mr. Hall) Let's talk about, first, the
7 Application, Case Number 12,954, on the Chambers Number 1
8 well, Mr. Porter. Would you briefly summarize what Permian
9 is seeking in this case?

10 A. Yes. Under this Application, we seek to amend
11 the cost recovery provision as set out in R-11,682, which
12 pooled the interests for the Wolfcamp formation, North Shoe
13 Bar-Wolfcamp Oil Pool, located in the southeast quarter of
14 Section 7, 16 South, 36 East.

15 Q. Let's refer to your exhibits, please, sir. What
16 does Exhibit Number 1 show?

17 A. Exhibit Number 1 shows the acreage in question,
18 which is the southeast quarter of Section 7 of 16 South, 36
19 East, located approximately a mile and a half from the --
20 west of the City of Lovington, New Mexico.

21 Q. And Exhibit 2, what is that?

22 A. Exhibit 2 shows the existing pool boundaries in
23 this area for the Wolfcamp and the Strawn.

24 Q. All right. Now, in the original pooling case
25 last September, which resulted in the issuance of Order

1 Number R-11,682, did Permian pool only unleased mineral
2 interest owners in the Wolfcamp formation?

3 A. Yes, that's true.

4 Q. And let's explain to the Examiner what the plan
5 was initially for the drilling of the Chambers Number 2
6 well under that Application. Was that well to be drilled
7 at a standard location?

8 A. Yes.

9 Q. And following the hearing, the issuance of that
10 order, by what date was that well to be commenced?

11 A. On or before January 31st, 2002.

12 Q. And again, in the testimony in that case was the
13 Chuck Chambers Number 1 well discussed with the Hearing
14 Examiner?

15 A. Yes, it was.

16 Q. And the Examiner, by the way, was Mr. Brooks, was
17 it not?

18 A. Right, that's correct.

19 Q. Now, what's the footage location for the Chambers
20 Number 1?

21 A. Okay, the Chambers Number 1 is located 555 feet
22 from the south line, 2085 feet from the east line of
23 Section 7 of 16 South, 36 East.

24 Q. And what was the status of the Chambers Number 1
25 at the time of the hearing last September?

1 A. It was inactive.

2 Q. All right, do you mean it was --

3 A. It was not producing.

4 Q. It's not plugged?

5 A. It was not plugged, and it was not producing.

6 Q. All right. And did Permian's witnesses discuss
7 that that well was, in fact, a candidate for re-entry and
8 recompletion?

9 A. Yes.

10 Q. And was that done?

11 A. Yes.

12 Q. And it was done before January 31st, 2002?

13 A. That's correct.

14 MR. HALL: Mr. Examiner, at this time I'd refer
15 you to Exhibits 3 and 4, so you have it in your file. It's
16 the original application from Case Number 12,715, and
17 Exhibit 4 is Order Number 11,682, which discussed the
18 Chambers Number 2 well and had the commencement of drilling
19 deadline of January 31st in it.

20 EXAMINER STOGNER: Administrative notice will be
21 taken of Case Number 12,715.

22 Q. (By Mr. Hall) Now, in the original pooling case,
23 Mr. Porter, what was the quantum of the mineral interests
24 that were pooled?

25 A. The quantum of the mineral interest pooled was

1 4.40928 percent.

2 Q. Okay, very small interest. And has that
3 ownership percentage changed at all? Let me correct
4 myself. Has the ownership of that interest changed at all
5 since then?

6 A. It has not, no.

7 Q. And at that time did the Division apply the
8 statutory 1/8 royalty rate and 7/8 working interest rate to
9 those pooled mineral interests?

10 A. Yes.

11 Q. What were the well costs that were testified to
12 in Case Number 12,715, for the Chambers Number 2?

13 A. The approximate well cost that was testified to
14 was approximately \$1,618,410.

15 Q. And what are the well costs that we're talking
16 about for the re-entry and recompletion of the Chambers
17 Number 1 now?

18 A. The approximate well cost is \$72,000.

19 Q. All right. And will Permian present another
20 witness to address the basis of these well costs?

21 A. Yes.

22 Q. So in any event, Permian accomplished the same
23 result, it got a successful completion in the Wolfcamp at a
24 savings of in excess of \$1.5 million?

25 A. That's correct.

1 Q. Now, how does Permian propose that the Division
2 treat the mineral interest owners under an order that would
3 result from this hearing, given that all these costs have
4 already been incurred?

5 A. Okay, we propose that similar to standard
6 compulsory pooling order, that the owners of the pooled
7 interest be given an opportunity to tender their share of
8 the actual well cost and avoid any risk penalty. They
9 should also have the opportunity to object to the
10 reasonableness of the well costs as to the re-entry on the
11 Chambers Number 1 well.

12 Q. All right. Now, as you might recall, these
13 mineral interest owners were, one, numerous, and two, they
14 are widespread throughout the country?

15 A. That's correct. I had -- Approximately five of
16 the mineral owners lived overseas in Greece, and the
17 remainder lived in the continental U.S., spread about in
18 the U.S.

19 Q. And we've had several separate applications
20 affecting these same interests, several waiver request
21 letters that have gone out to these interest owners. Have
22 you received any response from them?

23 A. No response whatsoever.

24 Q. Okay. So the likelihood that those interest
25 owners are going to come back and object to well costs are

1 probably remote, wouldn't you agree?

2 A. Yes.

3 Q. What would the proportionate share of costs
4 attributable to these interest owners be?

5 A. Approximately \$3000.

6 Q. All right. So you got me out of bed this morning
7 to talk about \$3000 in well costs?

8 A. Yes, sir.

9 Q. And is Permian asking that the same producing
10 overhead rates be applied for the recompletion operation?

11 A. Yes.

12 Q. And does Permian request the Division to enter an
13 amended A order for Order Number R-11,682, to include these
14 new well costs and election provisions?

15 A. Yes.

16 Q. In your opinion as an expert petroleum landman,
17 do you see any unfairness or prejudice that accrues to
18 these unleased mineral interest owners by proceeding with
19 this well?

20 A. None.

21 Q. In fact, they're way ahead, aren't they?

22 A. They're way ahead, yes.

23 Q. Now, let's talk about the new Chambers Number 2
24 well. In that Application, in Case Number 12,953,
25 summarize briefly for the Hearing Examiner what we're

1 trying to do in that case.

2 A. Okay, for the new Chambers Number 2, we'd like to
3 talk about four issues for the Examiner to consider.

4 Number one, again, we would seek to pool these
5 same mineral owners for the Strawn formation.

6 Number two, we will have an unorthodox well
7 location for this Chambers Number 2 well.

8 Number three, the designation of a special
9 project area for the directional drill, because this will
10 be a horizontal well.

11 And number four, because we have an existing
12 Wolfcamp producing well, the simultaneous dedication of
13 production from the Wolfcamp on the Chambers Number 1 and
14 the Chambers Number 2.

15 Q. The primary objective for the Chambers Number 2
16 is --

17 A. -- is Strawn.

18 Q. -- is Strawn, correct?

19 A. -- is the Strawn formation, which is below the
20 Wolfcamp, yes.

21 Q. And since you already have the Wolfcamp interests
22 pooled, you're seeking to pool only the Strawn interests,
23 correct?

24 A. That's correct.

25 Q. And are they the same interest owners that were

1 pooled in the Wolfcamp?

2 A. No, we have had a few owners leased to me. There
3 are four owners from Greece whose leases came in during the
4 time of the Number 1 well being re-entered, and the Number
5 2 drilling -- or the asking for the drilling of the Number
6 2 well. So there's a very minuscule difference in the
7 amount of interest I'm seeking to pool.

8 Q. Okay, and we have some exhibits that will reflect
9 that later on?

10 A. That's correct, yes, sir.

11 Q. And are there special pool rules that are
12 applicable to this Strawn pool?

13 A. Yes.

14 Q. What pool is that?

15 A. It is the Northeast Shoe Bar-Strawn Pool, under
16 Order Number R-10,848, establishing 80-acre units.

17 Q. Okay, what's the orientation of the Strawn unit
18 you're proposing?

19 A. The orientation of our Strawn unit is a laydown
20 80-acre tract, being composed of the south half of the
21 southeast quarter of Section 7, 16 South, 36 East.

22 Q. Okay. Let's look at Exhibit Number 5, your
23 ownership breakdown. If you would review that with the
24 Hearing Examiner, please, sir?

25 A. Okay. What I have here is a listing of all the

1 mineral owners in the southeast quarter of Section 7 and
2 what their gross mineral ownership is in that quarter
3 section.

4 If you'll turn to the last page of that exhibit,
5 I want to note that on the north half of the southeast
6 quarter Permian Resources Holdings, Inc., has 100 percent
7 of the working interest. It's held by production from a
8 well up in the northeast quarter, the Chambers Number 1
9 well that's operated by Chesapeake.

10 In the south half of the southeast quarter,
11 surface to 100 feet below the base of the Wolfcamp, per our
12 original pooling order we now control 100 percent of the
13 working interests there.

14 As to the south half of the southeast quarter, as
15 to depths below 100 feet below the base of the Wolfcamp, we
16 control 97.6985 percent, the balance being the interest
17 that we're asking the Commission to consider force-pooling.

18 Q. All right, let's identify the owners of the
19 interests that you're seeking to pool.

20 A. Okay.

21 Q. Do you have an exhibit that will reflect that?

22 A. I do. If we can go to Exhibit Number 7, please.
23 There are eight owners that I'm seeking to pool. They are
24 listed there. The total of that interest -- and I'm sorry
25 I don't have that totaled there on that page, but the total

1 interest that we're seeking to pool with those owners would
2 be 3.64439 percent.

3 Q. And again, since these are all unleased mineral
4 interest owners, Permian's requesting that the Division
5 apply the statutory 1/8 royalty to these pooled interests?

6 A. That's correct, yes.

7 Q. Let's discuss your efforts to obtain the
8 voluntary participation or leases from these interest
9 owners.

10 A. Okay. As discussed in the prior hearing,
11 normally what I do as a landman in seeking the voluntary
12 leasing is, I send out offer letters to all the mineral
13 owners, and I get responses and I lease the mineral owners.
14 Then I have a grouping of people that I have to spend a lot
15 of time probably looking for, trying to contact, and
16 there's a lot of correspondence back and forth that goes on
17 with that.

18 In this particular instance since I had force-
19 pooled these people, these owners, in the past, what I
20 elected to do is a combination of lease offer and well
21 proposal. And if you'll look at Exhibit 6, please, I have
22 given to you a letter dated April 12th of 2002 to these
23 owners, outlining two things.

24 Number one is an offer to lease their mineral
25 interest again as to the Strawn formation.

1 In the alternative, I've provided to them an
2 authority for an expenditure to drill the Chambers Number 2
3 well and allowed them the opportunity to participate in the
4 drilling of that well. I received no response from any of
5 these owners by this communication.

6 Q. All right. And in your opinion, Mr. Porter, have
7 you made a good-faith effort to try to obtain the voluntary
8 participation of these owners?

9 A. I believe I have, yes.

10 Q. Okay. Is Permian seeking the imposition of the
11 200-percent risk penalty against the assumed 7/8 working
12 interest for the interests attributable to the unleased
13 mineral interest owners?

14 A. On the Chambers Number 2?

15 Q. Yes, sir.

16 A. Yes, we are.

17 Q. And Permian also seeks to be designated operator,
18 does it not?

19 A. That's correct.

20 Q. Okay. And as we've discussed, you already have
21 an order pooling the Wolfcamp.

22 What are the proposed surface and bottomhole
23 locations for the new Chambers Number 2?

24 A. Okay, those locations are as follows for the
25 Chambers Number 2: Our surface location is 1038 feet from

1 the south line, 802 feet from the east line. Our
2 bottomhole location will be 950 feet from the south line
3 and 1500 feet from the east line.

4 Q. At what footage location do you expect to first
5 encounter the Strawn?

6 A. We anticipate the Strawn at 1000 feet from the
7 south line and 1100 feet from the east line.

8 Q. All right. Let's refer to Exhibit 8. If you
9 would review that for the Hearing Examiner, please --

10 A. Okay.

11 Q. -- what is that exhibit?

12 A. Exhibit 8 is -- Because we have an unorthodox
13 location, as advised by my counsel I needed to notify
14 offset operators and offset unleased mineral owners. We
15 are the offset operator. And again, referring back to
16 Exhibit 7, these owners would be offset mineral owners that
17 are unleased. And I sent out these amended waivers for
18 administrative approval of unorthodox location, using the
19 same addresses that I've used in the past, including a copy
20 of the waiver, the Application that was filed here, and if
21 you'll notice on the last page I've included my certified
22 mail return receipts that I sent out with these letters.

23 I received no response whatsoever from this
24 mailing.

25 I do want to point out that I cannot send

1 certified mail overseas; I have to send it registered mail.
2 But I have received no response whatsoever from these
3 mailings.

4 Q. Now, will Permian's engineering witness testify
5 about the well costs and the overhead rates and the basis
6 for the risk penalty for both wells?

7 A. Right, yes, sir.

8 Q. And were Exhibits 1 through 8 prepared by you or
9 at your direction?

10 A. That's correct.

11 MR. HALL: That concludes our direct of this
12 witness, Mr. Examiner. We'd move the admission of Exhibits
13 1 through 8.

14 EXAMINER STOGNER: Exhibits 1 through 8 will be
15 admitted into evidence at this time.

16 Okay, let me double-check here. On this 12,953
17 we're just force pooling the Strawn?

18 MR. HALL: Yes, sir.

19 EXAMINER STOGNER: Okay. Now, what about the
20 simultaneous dedication of the Wolfcamp? I'm a little
21 confused about that.

22 MR. HALL: The engineering witness will address
23 that.

24 EXAMINER STOGNER: Oh, okay.

25 MR. HALL: We'll have two Wolfcamp completions in

1 that 160.

2 EXAMINER STOGNER: Okay, so the well is going to
3 be dually completed?

4 MR. HALL: Yes.

5 EXAMINER STOGNER: Okay. But the horizontal
6 portion will just be in the Strawn?

7 MR. HALL: That's right.

8 EXAMINER STOGNER: Okay, okay.

9 Mr. Brooks, do you have any questions?

10 MR. BROOKS: Well, yeah, I have a few.

11 THE WITNESS: Okay.

12 EXAMINATION

13 BY MR. BROOKS:

14 Q. The new Chambers Number 2 well, is that a
15 different well from the existing Chambers Number 2, or is
16 it using -- is it some way -- what's the relationship
17 between the two Chambers Number 2 wells?

18 A. Okay, we currently have no two Chambers Number 2
19 wells. In the original order we were seeking to drill a
20 brand new well called the Chambers Number 2.

21 Q. Okay.

22 A. That well was never drilled.

23 Q. Oh, okay, that well was never drilled?

24 A. No, sir. We re-entered the Chambers Number 1
25 well.

1 Q. That was in lieu of, not in addition to --

2 A. Yes, sir, that is correct.

3 Q. -- Chambers Number 2? Well, as I had recalled,
4 that was an additional project that might be undertaken,
5 but now I understand. So the Chambers Number 2 well, the
6 new one that you're going to drill -- and I just heard you
7 say in response to Mr. Stogner's question that was going to
8 be dually completed in the Strawn and the Wolfcamp; is that
9 correct?

10 A. I'm going to refer that to our engineer.

11 Q. Okay.

12 A. Yes, sir.

13 Q. Okay. Now, you were going fairly fast when you
14 said where you expected to encounter the Strawn. What was
15 the location where you expected to encounter the Strawn?

16 A. Yes, sir, let me back up, sorry. We expect to
17 encounter the Strawn at 1000 feet from the south line and
18 1100 feet from the east line.

19 Q. Well, I got it correct after all. Okay, and the
20 Strawn is on an 80-acre spacing for the south half of the
21 southeast quarter --

22 A. That's correct, yes, sir.

23 Q. -- is what you're requesting? Okay.

24 EXAMINER STOGNER: No other questions at this
25 time.

1 Well, yeah, let me go ahead and ask you on this
2 one.

3 THE WITNESS: Okay.

4 EXAMINATION

5 BY EXAMINER STOGNER:

6 Q. Okay, you have a current force-pooling provision
7 for the Wolfcamp --

8 A. Yes, sir.

9 Q. -- southeast quarter, by Order Number R-682, in
10 which you're requesting amendment. How is a second dual
11 completion in the Wolfcamp -- how is that going to affect
12 the order or the current order, the compulsory pooling?
13 How will that be handled?

14 A. I'll defer that to our engineer as well, if you
15 don't mind, sir.

16 MR. HALL: You mean on the cost issue, Mr.
17 Examiner?

18 EXAMINER STOGNER: Yes, I'm talking about the
19 cost issue.

20 MR. HALL: We'll address that.

21 EXAMINER STOGNER: Okay. I may recall you, then.

22 THE WITNESS: Okay.

23 EXAMINER STOGNER: Thank you.

24 THE WITNESS: Yes, sir.

25 MR. HALL: At this time, Mr. Examiner, we would

1 call Mike Stewart to the stand.

2 MICHAEL L. STEWART,

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

5 DIRECT EXAMINATION

6 BY MR. HALL:

7 Q. Please state your name.

8 A. Michael Stewart.

9 Q. And where do you live and by whom are you
10 employed?

11 A. I reside in Midland, Texas, and I'm employed with
12 Permian Resources, Incorporated.

13 Q. And what do you do for Permian?

14 A. I'm a petroleum engineer.

15 Q. You've previously testified before the Division
16 and its Examiners and had your credentials accepted as a
17 matter of record, have you not?

18 A. That's correct.

19 Q. Are you familiar with the Applications before the
20 Examiner today and the lands that are the subject of the
21 Applications?

22 A. Yes, I am.

23 Q. As well as the wells that are the subject of the
24 Applications?

25 A. Yes, I am.

1 MR. HALL: Mr. Examiner, we'd offer Mr. Stewart
2 as a qualified expert petroleum engineer.

3 EXAMINER STOGNER: Mr. Stewart is so qualified.

4 Q. (By Mr. Hall) Mr. Stewart, if you would, please,
5 let's turn back to the Chambers Number 1, and could you
6 discuss for the Examiner the history behind that well?

7 A. And I'll reference three exhibits at the same
8 time, that being Exhibits 9, 10 and 11.

9 Exhibit 9 is a detailed wellbore history of the
10 Chambers Number 1 from inception to current.

11 Exhibit 10 is a graphical representation or a
12 wellbore schematic of the Chambers Number 1.

13 And Exhibit Number 11 is a rate-versus-time
14 production plot of the Chambers Number 1, historically up
15 through current.

16 The Chambers Number 1 was drilled and completed
17 in 1974 by Mesa. They drilled down through the Strawn
18 interval, DST'd the Strawn and found it to be wet. At that
19 point in time they ran pipe and completed it as a Wolfcamp
20 producer. It IP'd approximately 630 barrels of oil per
21 day, quite an amount of gas, over 1000 MCF per day on gas.

22 It continued to produce until 4 of 1982 from what
23 is locally known as the Three Brothers Wolfcamp section.
24 In 4 of 1982 they added perforations in the upper Wolfcamp
25 section at approximately 10,280 feet and combined those

1 with the lower Wolfcamp perforations, approximately 10,500
2 feet.

3 In January of 1989 Conoco took over as operator
4 of the well. Sometime in early 1995, Merit took over
5 operations of the well. And in October of 1997 Merit
6 attempted to drill out and kick off below the Wolfcamp
7 formation to an updip structural location in the Strawn
8 formation. They were unsuccessful, they did not get out of
9 the existing or the prior wellbore that Mesa had drilled.

10 At that point in time they ran a 2-7/8-inch
11 liner, squeezed off all the Wolfcamp perforations and
12 completed the well as a Strawn producer. It was a marginal
13 producer with high water cuts.

14 Permian Resources purchased the well from Merit,
15 effective January 1 of 2000, actually took over operations
16 5-1 of 2000. At that point in time the well was
17 nonproducing. In researching the leasing history of the
18 Chambers Number 1, it was determined that the lease which
19 -- the 160 acres, which is made up of the north half and
20 the south half, the north half being held by the Chesapeake
21 Chambers 7 Number 1 well, it appeared that the south half
22 had been lost due to nonproduction.

23 So that brought about the force-pooling hearing
24 that we had last September. We went through a leasing
25 exercise, tried to re-lease those owners. Some of them

1 weren't able to be leased, and so we force pooled the
2 Wolfcamp.

3 At that point in time, we had another well
4 proposed, the Hillburn Number 1, which is approximately two
5 miles to the west of the Chambers Number 1 as a Strawn-
6 Wolfcamp target -- Excuse me, it's the Hillburn Number 3.

7 We drilled the Hillburn Number 3 beginning in
8 early November into middle of December of 2001. The well,
9 utilizing two separate laterals was nonproductive, did not
10 encounter Strawn formation nor Wolfcamp formation. That
11 well was drilled based upon primarily subsurface geology.

12 Our plans were to move from the Hillburn Number 3
13 immediately to the proposed Chambers Number 2 well, and we
14 at that point in time regrouped and circled the wagons and
15 said we need to learn more geologically and geophysically
16 about this area. And that was primarily the reason why the
17 Chambers, the original Chambers Number 2 well, was not
18 drilled.

19 We also had concerns that the Chesapeake Number
20 7-1 well -- they had had a pulling unit on it and were
21 having some problems with the well, and we were concerned
22 that if that well had no production for the 90-day period,
23 that we would lose the north half of the southeast quarter
24 of Section 7.

25 So at that point in time we made a decision to

1 postpone the drilling of the Chambers Number 2 well in
2 favor of more geological and geophysical data and study,
3 and recomplete the Chambers Number 1 well in the Wolfcamp
4 formation. And that was done in December of 2001.

5 The Strawn perforations were isolated with a
6 cast-iron bridge plug and cement, the old existing Wolfcamp
7 interval that Mesa had perforated was reperforated, acid-
8 stimulated, and the well was returned to production with
9 favorable results.

10 Exhibit Number 9 details what I just talked about
11 with some production rates.

12 Exhibit Number 10 shows the existing Wolfcamp
13 perforations, Merit's Strawn-attempted perforations.

14 And then Exhibit Number 11, the rate-time plot,
15 graphically displays the production rates associated with
16 the Chambers Number 1 from inception to current.

17 Q. So it was a successful workover?

18 A. Yes.

19 Q. Let's look at Exhibit 12 now, and if you could
20 discuss for the Hearing Examiner the basis of the costs
21 that we're seeking to recover here.

22 A. Exhibit Number 12 is a lease operating statement
23 based upon 8/8 or 100-percent working interest as to cost
24 and revenues. It details monthly the oil sales, oil
25 revenues, gas sales, gas revenues before and after taxes.

1 It details normal lease operating expenses that were
2 incurred by the Chambers Number 1 well, beginning in
3 December of 2001, following our recompletion.

4 It also details the workover expenses associated
5 with plugging back from the Strawn formation to the
6 Wolfcamp formation in the Chambers Number 1.

7 Total costs associated with the plugback are
8 approximately \$40,000, and current net revenue through
9 September of 2002 to 100-percent working interest
10 ownership, less taxes and royalty, has been a positive
11 \$58,000.

12 Q. Now, in establishing your cost basis, how did you
13 account for the plugging liability and the salvage value of
14 the well?

15 A. I took the approach that the Chambers Number 1
16 wellbore, prior to the force pooling that was issued in
17 October of last year, the wellbore had some value,
18 salvageable value that the working interest owners were
19 entitled to, the working interest owners being those
20 working interest owners prior to the force pooling, the
21 ones who in effect had lost the lease. They also had an
22 obligation to plug the well.

23 So based upon that premises, I have calculated a
24 salvage-less-plugging-cost value. That's detailed in
25 Exhibit Number 13, the second page. It lists the

1 equipment, the salvageable equipment and the associated
2 plugging cost estimates. That net value is \$32,107.15.

3 In addition to that, we had approximately \$40,000
4 -- or actually it was \$39,355 that was associated with
5 plugging the well back and recompleting it as a Wolfcamp
6 producer.

7 I employed a 200-percent penalty just as to the
8 actual workover expense of \$39,355, so the penalty would be
9 \$78,710. I added to that the estimated net salvage value
10 less plugging cost of \$32,107.15, to give us a cost basis
11 of \$150,172.15 as the cost basis to recoup for the pooled
12 interest owners as to the Wolfcamp in the Chambers Number 1
13 well.

14 Q. So in effect, you're allowing these pooled
15 interest owners to enjoy a credit for the savings of the
16 plugging liability; is that what you've done basically?

17 A. That's correct.

18 Q. Let's explain why Permian is seeking a 200-
19 percent risk penalty for a recompletion after the fact.

20 A. Well, some would argue that there's no geological
21 risk, but there was considerable economic risk -- I mean
22 mechanical risk, associated with plugging the well back,
23 that Permian took upon themselves. We have also offered,
24 as we'll testify, the opportunity for these pooled interest
25 owners to participate in the project, in effect, with a

1 free look at the results.

2 Q. And again as we've discussed before, you're
3 comparing some \$39,000 in actual costs pre-penalty which
4 resulted in re-establishment of Wolfcamp production, as
5 opposed to almost \$1.7 million in costs for a new drill.
6 So isn't it accurate to say that these interest owners come
7 out way ahead economically?

8 A. That's correct.

9 Q. Let's discuss the new Chambers Number 2 well, and
10 again explain what we're trying to do there.

11 A. Again, in reaction to our failed effort on the
12 Hillburn Number 3 well, we acquired 3-D survey across the
13 Hillburn and the Chambers leases.

14 Having processed that 3-D seismic data, it became
15 apparent to us that the original location, both surface and
16 bottomhole, of the originally proposed Chambers Number 2
17 well was not favorable to encounter the Strawn algal mounds
18 in the area. That necessitated the changing of the surface
19 location and bottomhole location to our currently proposed
20 Chambers Number 2.

21 Q. Okay, what's Exhibit 14?

22 A. Exhibit Number 14 is an application, NMOCD Form
23 C-101 Application to -- Permit to Drill the Chambers Number
24 2 well at the surface location of 1038 feet from the south
25 line, 802 feet from the east line, with a bottomhole

1 location proposed at 950 feet from the south line and 1500
2 feet from the east line.

3 Q. These footage locations are current as of
4 yesterday?

5 A. That's correct.

6 Q. And Exhibit 15, what's that?

7 A. Exhibit 15 is the NMOCD Form C-102, Well Location
8 and Acreage Dedication Plat. It illustrates the surface
9 location of the newly proposed Chambers Number 2, the
10 Strawn entry point, expected Strawn entry point of the
11 Chambers Number 2 and the bottomhole location of the
12 Chambers Number 2.

13 It also illustrates the existing location of the
14 Chambers Number 1 well, being 555 feet from the south line,
15 2085 feet from the east line -- that is a typo on the
16 plat -- and it illustrates the 80-acre south half of the
17 southeast quarter project area associated with directional
18 drilling of the Chambers Number 2 well.

19 The attachments to the C-102 are well profiles,
20 drilling plans that have been prepared, that illustrate the
21 wellbore geometry that's been proposed with the Chambers
22 Number 2.

23 We expect to drill vertically down to
24 approximately 10,200 feet, pick up motors and kick the well
25 off with a build angle and drill a pilot hole through the

1 Strawn formation to approximately 11,600 feet. We expect
2 to encounter the Strawn at 11,355 feet, the Strawn porosity
3 at approximately 11,420 feet.

4 At that point in time we'll evaluate, via open
5 hole logs and DST, the productive potential of the Strawn.
6 If favorable, we'll run 5-1/2 casing to the top of the
7 Strawn formation or the base of the shale formation and
8 then turn the well horizontally within the Strawn porosity
9 interval at 11,420 feet and drill approximately 500 feet of
10 horizontal lateral.

11 The necessitation for the build angle has been
12 common in this area. You've got such a short distance
13 between the top of the Strawn or the base of the shales and
14 the Strawn porosity, you have to enter the Strawn with some
15 built-in angle to make that turn quick enough and not leave
16 the shales open above you. It's hard to turn the well with
17 the shales encased above you.

18 The additional attachments to the C-102 are a
19 topographic map that locates the Chambers Number 2 as to
20 the town of Lovington and other lands.

21 Q. Is there significant risk associated with your
22 proposed drilling procedure?

23 A. Yes, there is.

24 Q. Does that mechanical risk constitute the basis
25 for the risk penalty that Permian is seeking?

1 A. That constitutes a portion of it. The geological
2 risk also constitutes a portion of it.

3 Q. All right. Is Exhibit 16 a narrative of your
4 proposed drilling procedure?

5 A. That's correct.

6 Q. Let's talk about geology briefly. Let's refer to
7 Exhibit 17, and if you would provide the Examiner with an
8 overview of the Strawn and Wolfcamp geology in the area.

9 A. Exhibit Number 17 is a producing horizon map in
10 the area of the Chambers lease. It by color illustrates
11 existing producing zones from the Wolfcamp, Strawn, Atoka
12 and Morrow formations. It also illustrates cumulative
13 production from those wells, up through January of 2001.

14 You can see that the Chambers Number 1 well,
15 located in the southwest quarter of the southeast quarter
16 of Section 7, has cumulative production of approximately
17 394,000 barrels of oil and 978,000 MMCF of gas. That is a
18 Wolfcamp well.

19 You'll notice that there are three Strawn wells
20 adjacent or surrounding the Chambers 7 Number 1 well.
21 Those wells are drilled and operated by Chesapeake Energy.

22 Exhibit Number 18 is a Wolfcamp structure map.
23 It's just illustrating the structural position of the
24 Chambers Number 1. It's also got an isopach of the
25 Wolfcamp that's been superimposed on the structures. It

1 shows a nosing feature structurally into the southeast
2 quarter of Section 7. It shows the tops of the Wolfcamp
3 formation in the Chambers Number 1 well and the associated
4 offset wells.

5 Exhibit Number 19 is simply a cross-section from
6 the wells, east-west or west to east, through wells in
7 Section 7, the Chambers Number 1 well and the Chesapeake
8 wells. It illustrates the Wolfcamp formation locally -- or
9 predominantly which produces out of the Three Brothers
10 formation at approximately 10,500 feet.

11 It shows the discontinuity of the porosity in the
12 Wolfcamp formation from well to well, but it shows the
13 continuity of the structural thickness of the Wolfcamp
14 formation.

15 The Wolfcamp formation in this area is a
16 limestone reef. It's believed that the porosity has
17 developed adjacent to some shoreline feature, hence the
18 Wolfcamp -- If you'll refer back to Exhibit Number 18, you
19 can see the Wolfcamp producers kind of align themselves in
20 a northeast-southwest trend along that structural nosing
21 feature, which would be indicative of kind of a shelf
22 margin buildup.

23 Exhibit Number 20 is a map that illustrates the
24 Strawn structure. This was derived off of subsurface data.
25 It also illustrates DST information from Strawn wells

1 adjacent to the proposed Chambers Number 2 location. It
2 also illustrates cumulative production from the Strawn
3 wells through, again, I believe, January of 2001.

4 You'll note that there are three wells, three
5 Strawn wells, offsetting the Chambers Number 2 proposed
6 location.

7 The well to the northwest is the Chesapeake
8 Carlisle 7 Number 1 well, which currently Permian Resources
9 operates.

10 The well directly to the north is the Chesapeake
11 Chambers 7 Number 1 well.

12 And the well to the northeast is the Chesapeake
13 Alston 8 Number 1 well.

14 Those wells were originally all Strawn
15 completions. The Chesapeake Chambers 7-1 and Alston 8
16 Number 1 currently are producing wells. The Chesapeake --
17 or now the Permian Resources Carlisle 7 Number 1 well, has
18 been temporarily abandoned after the Strawn formation.

19 Exhibit Number 21 is a Strawn structure map that
20 was derived off of the 3-D survey that we acquired and had
21 processed by our geophysicist. It's similar to Exhibit
22 Number 20. It also notates the proposed surface location
23 of the Chambers Number 2 well.

24 Exhibit Number 22 is a cross-section of the
25 Strawn interval across Section 7 from west to east. It

1 takes in the Permian/Chesapeake Carlisle 7-1 well, goes
2 through the Chambers -- existing Permian Chambers Number 1
3 well up north to the Chesapeake Chambers 7-1 well, and then
4 back to the east to the Chesapeake Austin 8 Number 1 well.

5 Highlighted on the cross-section again is the
6 Strawn interval. The Strawn in this vicinity has been
7 classified as an algal mound buildup or buildups. They
8 tend to be small in nature but prolific producers when
9 discovered.

10 The Carlisle 7 Number 1 well, the Chesapeake
11 Chambers 7 Number 1 well and the Austin 8 Number 1 well all
12 encountered very good Strawn porosity in the algal mounds,
13 as did the Permian Resources Chambers Number 1 well, but
14 the Chambers Number 1 was wet in the Strawn.

15 Exhibit Number 23 is a time-slice map
16 illustrating, based upon the geophysical data that again we
17 acquired and have processed. It shows the Strawn interval
18 and the predicted buildup of the Strawn algal mounds in
19 concurrence with the Chambers Number 2 location.

20 Exhibit Number 24 was again prepared by a
21 geophysicist. It is a flattened horizon of the Strawn in
22 and around the Chambers Number 2 proposed location's area.
23 What the geophysicist attempted to do was take a time slice
24 and show how the Strawn algal mounds have built up in the
25 area.

1 And again, the thing that is interesting to note
2 here is that the algal mounds as they appear colorwise on
3 this plat have been proved up by the drilling of actual
4 wells. And you can notice that the algal mound, as it's
5 depicted in this projection, associated with our Chambers
6 Number 2 well is predominantly and almost exclusively in
7 the south half of the southeast quarter of Section 7.
8 Those are quarter-section lines that are depicted on that
9 map.

10 Again, our original Chambers Number 2 well,
11 surface location and bottomhole location, was going to be
12 in the north half of the southeast quarter of Section 7.
13 Having acquired this data, that's what has necessitated the
14 relocation of the surface location and bottomhole of the
15 Chambers Number 2 well. And we feel like this data has
16 credence because it illustrates the location of the
17 offsetting wells and their encounter in the Strawn algal
18 mounds in the area.

19 Q. In your opinion, has Permian fully evaluated all
20 available standard well locations for the Chambers Number 2
21 and eliminated them?

22 A. Yes, we have.

23 Q. In your opinion will the well at its proposed
24 unorthodox location be best situated to efficiently and
25 economically recover Strawn reserves from the proration

1 unit?

2 A. Yes, that's my opinion.

3 Q. And if Permian's Application is not approved and
4 the unorthodox location not granted, is there a likelihood
5 that waste will result?

6 A. That's correct.

7 Q. Let's turn to the issue of well costs. If we
8 could refer to Exhibit 25, your AFE exhibit.

9 A. Exhibit 25 is an authority for expenditure and a
10 cost estimate to drill and complete the Chambers Number 2
11 well. This was the same AFE that was forwarded to the
12 parties that we have requested to be pooled. It amounts to
13 a total cost of \$1.6 million.

14 The plans are to, as I previously described,
15 evaluate the Strawn formation through a pilot hole. If the
16 Strawn exhibits productive qualities, we will run casing to
17 the top of the Strawn interval and then turn the well
18 horizontal. If the Strawn is absent or tight, it is our
19 plans also to evaluate the Wolfcamp formation and possibly
20 complete the Wolfcamp formation. If that is the case, it
21 will require simultaneous dedication of the Chambers Number
22 2 well with the Chambers Number 1 well as to the Wolfcamp.

23 The possibility of dual-completing the Strawn and
24 the Wolfcamp will primarily be dependent upon encountering
25 both formations and pressure formation as derived by DST

1 testing of the Wolfcamp in the Strawn formation.

2 There is some concern that the Wolfcamp formation
3 may be partially depleted by the Chambers Number 1 well.
4 In that case, that would limit downhole commingling of the
5 Wolfcamp and Strawn and precipitate two strings of tubing
6 which were not estimated in this AFE.

7 Q. Now, are the charges and costs reflected on
8 Exhibit 25 in line with what's being charged by other
9 operators in the area for similar horizontal well projects?

10 A. At this point in time in the industry -- This was
11 actually prepared back in April of 2002. Rig rates were a
12 little higher then than they are today, so it's kind of a
13 moving target. But I would say that they're in the area.

14 Q. Would you expect actual costs to come in a little
15 lower?

16 A. On some items, and some items may be a little bit
17 higher.

18 Q. And what drilling and producing overhead rates
19 are you proposing?

20 A. We proposed an administrative overhead rate of
21 producing wells of \$650 a month, and I believe we asked for
22 drilling overhead rates of \$6000 per month.

23 Q. Let me make sure I heard you correctly: \$650 and
24 \$6000?

25 A. I believe so. May want to refer to the

1 Application.

2 Q. And again, Permian is seeking the 200-percent
3 risk penalty for its costs based on geologic and mechanical
4 risk factors?

5 A. That's correct.

6 Q. And does Permian seek that the order provide for
7 an adjustment of the drilling and producing overhead rates
8 in accordance with the current COPAS bulletin for the area?

9 A. Yes, we request that also.

10 Q. And in your opinion, would granting Permian's
11 Application be in the best interests of conservation and
12 the prevention of waste?

13 A. Yes, it would.

14 Q. Were Exhibits 9 through 25 prepared by you or at
15 your direction?

16 A. Yes, they were.

17 MR. HALL: Mr. Examiner, at this time we would
18 tender Exhibits 26 and 27. They are the notice affidavit
19 for Case Numbers 12,953 and 12,954, respectively.

20 That concludes our direct of this witness. We
21 again move the admission of Exhibits 9 through 27.

22 EXAMINER STOGNER: Exhibits 9 through 27 will be
23 admitted into evidence.

24 Okay, I'm still a little bit confused here. The
25 pooling case is for just the Strawn formation?

1 MR. HALL: Yes, sir.

2 EXAMINER STOGNER: The Wolfcamp is not included
3 in the --

4 MR. HALL: We're regarding the Wolfcamp as
5 previously pooled under R-11,682.

6 EXAMINER STOGNER: Okay, so that would be under
7 the new -- or the amended order?

8 MR. HALL: Yes.

9 EXAMINER STOGNER: Okay. Now, under the amended
10 order that would still be 200 percent, or how are you
11 proposing -- Essentially what you have here is a
12 recompletion of an old well that has produced quite a bit
13 of production, it appears. And now you want to drill an
14 infill well.

15 Are you still seeking 200 percent?

16 MR. HALL: Yes, I believe that's appropriate,
17 based on the testimony, given the risks involved.

18 EXAMINER STOGNER: Okay. Now let's talk about
19 the Strawn.

20 EXAMINATION

21 BY EXAMINER STOGNER:

22 Q. Now, the Strawn in this spacing unit, the
23 Chambers Number 1 never had any production from the Strawn;
24 is that correct?

25 A. It had marginal volumes produced out of the

1 Strawn when Merit recompleted it in the Strawn. I don't
2 know that Merit ever filed a C-103 evidencing their Strawn
3 completion, and in fact our records indicate that they did
4 not. So we post-production filed that C-103 on behalf of
5 Merit.

6 I believe that the production that was reported
7 via state reports as to the Wolfcamp pool from the time
8 period -- and I'll refer to -- I believe it was Exhibit 11
9 -- from 10 of 1997 through 5 of 2000, those production
10 volumes that were reported actually came from the Strawn
11 horizon.

12 So the Chambers Number 1 did produce small
13 amounts of oil from the Strawn.

14 EXAMINER STOGNER: Mr. Brooks, do you have any
15 questions?

16 MR. BROOKS: Yeah, let me understand this. I
17 don't recall from your land witness's testimony, is there a
18 difference in ownership between the Strawn 80-acre unit and
19 the Wolfcamp 160-acre unit?

20 MR. HALL: In the south half of the southeast --

21 MR. BROOKS: Correct.

22 MR. HALL: -- there is.

23 MR. BROOKS: So the 80-acre unit does not have
24 exactly the same ownership pattern as the 160-acre unit
25 that's been previously pooled?

1 MR. HALL: Well, that's right, of course
2 proportionally reduced as well. But the individuals are
3 the same in either case.

4 MR. BROOKS: But the interests are not identical?

5 MR. HALL: That's correct.

6 MR. BROOKS: Okay. The previous order related
7 only to the proposed well, which was not ever drilled.

8 Now, I think I understand what you propose to do
9 on cost recovery for the recompleteness, that is to say,
10 basically you propose to put a 200-percent penalty
11 applicable to the recompleteness costs only, and then provide
12 a credit against the total cost recovery for the salvage
13 value?

14 MR. HALL: That's right.

15 MR. BROOKS: Okay, I thought I understood that.

16 Now, what do you propose to do with regard to
17 cost recovery for the new well? I understand you want a
18 200-percent penalty, but how do you propose to allocate
19 costs between the Strawn and the Wolfcamp?

20 MR. HALL: I understand what you -- It's
21 difficult to do. Do you want to address that?

22 THE WITNESS: It's most likely that it will be an
23 either/or completion. It will be a Strawn completion and
24 not a Wolfcamp completion, or a Wolfcamp completion and not
25 a Strawn completion.

1 It's very unlikely that both wells -- both
2 horizons will be completed at the same time, again because
3 of downhole commingling problems and wellbore geometry.

4 What we would propose is that if the Strawn well
5 and the Strawn horizon is productive, the owners that are
6 pooled as to that 80 acres are -- the 200-percent penalty
7 would apply to them.

8 If the Strawn is absent and the Wolfcamp
9 productive, we would propose that the 200-percent penalty
10 associated with the proportional cost to drill and complete
11 just to the Wolfcamp formation be applied to the 160-acre
12 proration unit and their associated owners.

13 MR. HALL: Would you apportion that on the basis
14 of depth?

15 THE WITNESS: I would apportion that on the --

16 MR. HALL: The footage?

17 THE WITNESS: -- probably on the basis of depth
18 and the cost incurred to a certain depth point.

19 So depth would be the primary factor used to
20 proportion those costs.

21 EXAMINATION

22 BY MR. BROOKS:

23 Q. Now, do you propose to keep track of the actual
24 cost to drill to a particular depth, or do you propose to
25 simply use a mathematical proportion of costs in that...

1 A. I would propose to keep track of the actual
2 cost --

3 Q. Okay, that's the way we --

4 A. -- to drill to the appropriate depth.

5 Q. That's the way we've been doing -- particularly
6 the -- the only ones I've done have been up in the
7 northwest, but that's the way we've been doing these cost
8 allocations --

9 A. Right.

10 Q. -- is basically the drilling to the shallower
11 formation is allocated to the shallower formation, and then
12 the drilling from there on down is allocated to the deeper
13 formation. But you do not anticipate a simultaneous
14 completion?

15 A. I would say that that would be unlikely at this
16 point in time because of the possibility of the pressure
17 differences if we encounter the Strawn and the pressure
18 that exists in the Wolfcamp.

19 Q. Okay. Now going to a different subject, what is
20 unorthodox about this proposed location for the 80-acre
21 unit?

22 A. It is closer than the normal field rules allow
23 for offset.

24 Q. To which line?

25 A. To the north line.

1 Q. To the north line? And let's see, it's -- I had
2 the footages from the south line. It's 1038 from the south
3 line --

4 A. So take 1320 from that and --

5 Q. Yeah, it's going to be about -- It's going to be
6 a little less than 330. Is 330 the rule --

7 A. Yes.

8 Q. -- for that field, that pool? Okay, so -- And
9 why can't you drill it further south?

10 A. Predominantly based on the geophysical data and
11 the flattened Strawn horizontal map, it shows that the --

12 Q. Which exhibit is that?

13 A. That would be Exhibit 24.

14 Q. Okay.

15 A. -- it shows that the algal mound exists in kind
16 of an east northeast-southwest orientation.

17 Q. Is the light portion, is that the algal mound?
18 Is that in that light-colored splotch there?

19 A. Yes.

20 Q. Very technical term.

21 A. Yeah.

22 MR. BROOKS: Okay, very good. I guess that's all
23 my questions.

24 EXAMINER STOGNER: I have no other questions.

25 MR. HALL: That concludes our case. I hope

1 everything was clear, that we presented a new and exciting
2 case concept to you.

3 EXAMINER STOGNER: If there's nothing further,
4 then both of these cases will be taken under advisement.

5 (Thereupon, these proceedings were concluded at
6 10:17 a.m.)

7 * * *

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9
10
11 I do hereby certify that the foregoing is
12 a complete record of the proceedings in
13 the Examiner hearing of Case No. _____
14 heard by me on _____ 19____

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_____, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 5th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006