BEFORE THE

NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico

January 19, 1977

Attorneys at Law

53 Old Santa Fe Trail Santa Fe, New Mexico

CASES

5837

5838 5839

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MR. STAMETS: We will call next Case 5837.

MS. TESCHENDORF: Case 5837, application of TransOcean Oil, Incorporated for a unit agreement, Catron County, New Mexico.

MR. CARR: Mr. Examiner, I'm William F. Carr appearing for the applicant in this case.

We would first request that since this and the two succeeding cases have interrelated subject matter that the cases be consolidated for the purpose of testimony.

MR. STAMETS: I would like to have the next two cases called and we will consolidate them for purposes of testimony.

MS. TESCHENDORF: Case 5838, application of TransOcean Oil, Incorporated for a unit agreement, Catron County, New Mexico.

Case 5839, application of TransOcean Oil,
Incorporated for a unit agreement, Catron County, New Mexico.

MR. STAMETS: I would like to have all of the witnesses who will present testimony in these cases stand and be sworn at this time.

(THEREUPON, the witnesses were duly sworn.

MR. CARR: I would call Mr. Don Jumper.

### DON JUMPER

called as a witness, having been first duly sworn, was examined and testified as follows:

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### BY MR. CARR:

Will you state your full name, residence, by whom employed and what position you hold?

DIRECT EXAMINATION

- I'm Don Jumper, I'm Land Operations Manager, Western A. Division for TransOcean Oil, Incorporated out of Houston, Texas.
- 0. Mr. Jumper, have you previously testified before the Oil Commission and had your credentials accepted and made a matter of record?
  - No, I haven't.
- Q. Would you please summarize for the Examiner your educational background and your prior work experience?
- I have a degree from the University of Texas with a major in petroleum land management. I have been active in land work for about fifteen years.
- Mr. Examiner, are Mr. Jumper's credentials MR. CARR: as a landman acceptable?
- MR. STAMETS: Yes, they are.
- (Mr. Carr continuing.) Mr. Jumper, are you familiar with the applications filed in these cases?
- Yes, I am. Α.
- What is TransOcean trying to accomplish by these applications?
  - We are trying to form some exploration units for

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the drilling of some exploratory wells.

- Q. Have you prepared or has there been prepared under your direction and supervision certain exhibits for introduction in these cases?
  - A. Yes, there have.
- Q. I would ask you to refer to what has been marked as Exhibit Number One, explain what it is and what it shows?
- A. This is our land map of what we call our Omega Unit.

  It shows the different classes of land, the outline of the proposed unit and the lease ownership within the unit.
- Mhat percent of the acreage is Federal, State and fee land?
- A. Okay, this unit is seventy-six percent Federal, sixteen percent State and what we call fee land would be about seven point six two percent.
- Q. Has the Omega Unit been designated by the USGS as a logical unit area?
  - A. Yes, it has.
- Q. And is a copy of that letter what has been marked for introduction in this case as Exhibit Number Two?
  - A. Yes, that is correct.
- Now, would you refer to what has been marked as

  Exhibit Number Three, identify it and explain to the Examiner what it is?
  - A. Okay, Exhibit Three is basically the form prescribed

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by the USGS for the formation of the development unit and it has been altered to include State provisions for the Commission

- Q And this is the Omega Unit Agreement?
- A. Yes, it is.
- Okay, has the form of this agreement been approved by the State Land Office?
  - A. Yes, it has.
- Q. And is a copy of that letter what has been marked for introduction as Exhibit Four?
  - A. Yes, it is.
- Q Mr. Jumper, would you advise the Commission as to the present status of the commitment of acreage to the Omega Unit Agreement?
- A. Yes, sir, we have one hundred percent joinder of the working interest owners within the unit. We have sent letters to the royalty owners but we haven't had response, offering them the opportunity to commit their royalty interest. However, I would like to point out that the royalty interests, other than State or Federal is only seven point six two percent, I believe.
- Do you believe that sufficient acreage is committed
   to the unit to afford effective control of the unit operations?
  - A. Yes, I do.
- Now, will you refer to what has been marked as Exhibit Number Five, explain what it is and what it shows?

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- A. Okay, Exhibit Five is our map showing the unit outline of our French Unit. It also shows the leasehold position within the unit and the various classes of land within the unit, State, Federal and fee.
- Q What percentage of the land within this unit is Federal, State and fee land?
- A. The French Unit, seventy-nine percent is Federal, thirteen percent State and there is seven percent fee.
- Q. Has the French Unit been designated a logical unit area by the USGS?
  - A. Yes, it has.
- 0. Is a copy of their letter what has been marked for introduction in this case as Exhibit Number Six?
  - A. Yes, it is.
- Now, will you refer to what has been marked as Exhibit Number Seven and tell the Examiner what it is?
- A. This is a unit form similar to the Omega Unit form which is prescribed by the USGS, that has been altered to include provisions for State land.
  - Q And this is the unit agreement for the French Unit?
  - A. This is the unit agreement form, that is correct.
- Mas this agreement been approved as to form by the State Land Office?
  - A. Yes, it has.
  - Q. And is Exhibit Eight a copy of their letter so

approving this unit?

- A. Yes, sir.
- What is the present status of commitment of acreage to that French Unit Agreement?
- A. One hundred percent of the working interest owners have joined the unit. Letters have been forwarded to the fee royalty owners to join the unit. We do not have response from them yet. They were forwarded the first part of last week so we do not anticipate any problems with them. There are some overriding royalties which we don't have one hundred percent joinder back but I would say about ninety percent of the overriding royalty interest owners have executed ratification and joinders and returned them to us.
- You have the same situation with the French Unit that you did with the Omega that most of the land is State and Federal?
  - A. This is correct.
- Do you believe you have sufficient acreage committed to the agreement to afford effective control of the operations?
  - A. Yes, we do.
- Would you now refer to what has been marked as
   Exhibit Nine and explain to the Examiner what it is and what
   it shows?
- A. Exhibit Nine is our unit map for the Remuda Unit showing the outline of the unit, the various classes of land and

the leasehold ownership within the unit.

Q And could you tell the Examiner again what percentage of the land in this unit is State, Federal and fee land?

A. Okay, there are two classes of Federal land within this unit. There is National Forest land which comprises almost nineteen percent of the unit, Public Domain is almost twenty-six percent of the unit; State land six percent of the unit and there is forty-eight, almost forty-nine percent of the unit that is what we call patented land and this land, by and large, I believe about forty-three percent of it is owned by the Santa Fe Pacific Railroads which we have entered into a development contract with the railroad for the development of this land.

- Mas the Remuda Unit been designated by the USGS as a logical unit area?
  - A. Yes, it has.
- Q And is Exhibit Ten a copy of their letter so designating this unit?
  - A. Yes, it is.
- Q. Would you refer to what has been marked as Exhibit Number Eleven and tell the Examiner what it is?
  - A. This is our unit agreement for the Remuda Unit.
- Has the form of this agreement been approved by the State Land Office?
  - A. Yes, it has.

- And is Exhibit Twelve a copy of their letter so approving this unit?
  - A. Yes, it is.
- Q What is the present status of commitment of acreage to the Remuda Unit?
- A. One hundred percent of the fee owners or working interest owners have joined in it. A ratification joinder has been sent to the railroad for their joinder with the royalty interest. They have not responded as yet, however, I talked to the railroad yesterday and there is no problem. We anticipate that they will join the unit with no hesitation.
- Ω Do you have sufficient acreage committed to the Remuda Unit to afford sufficient control of unit operations?
  - A. Yes, we feel so.
- Now, Mr. Jumper, will you refer to what has been marked as Exhibit Thirteen and explain to the Examiner what this is?
- A. Okay, there is an instrument style assignment agreement, this agreement has to do with our development contract with the Santa Fe Pacific Railroad. We conveyed an undivided thirty-seven point five percent of our interest under the development contract to a company called the Estate of William G. Hellis out of New Orleans. This instrument is an instrument of conveyance that we used to convey this interest.
  - Mill you refer to what has been marked as Exhibit

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Fourteen and explain to the Examiner what this is?

- A. Okay, Exhibit Fourteen is styled inclusion agreement.

  Actually this is an addendum to the development contract we have with the Santa Fe Pacific Railroad. The actual agreement is styled inclusion agreement, is where we added some additional lands that had been omitted from our base agreement with the railroad. The inclusion agreement added, say, another thirtyfive thousand acres to our base agreement.
- 0. Mr. Jumper, in each of the three units proposed today is TransOcean designated the unit operator?
  - A. Yes, we are.
- Q. Will Mr. Belnap testify as to geological considerations?
  - A. Yes, he will.
- Q. In your opinion will the proposed units promote the prevention of waste and protection of correlative rights?
  - A. Yes, they will.
- Q Were Exhibits One through Fourteen prepared by you or under your direction and supervision?
  - A. Yes, they were.
- MR. CARR: At this time, Mr. Examiner, I would offer Exhibits One through Fourteen and I have no further questions of Mr. Jumper.
- MR. STAMETS: Exhibits One through Fourteen will be admitted.

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(THEREUPON, Applicant's Exhibits One through Fourteen were admitted into evidence.)

### CROSS EXAMINATION

BY MR. STAMETS:

- Mr. Jumper, what's the percentage of the fee land in the Remuda Unit that is owned by the railroad?
  - A. I believe about forty-three percent.
  - percent of the fee?
  - A. Of the fee, right. The fee constituted forty-six.
  - 0 It says forty-eight nine.
- A. Okay, the railroad is forty-six percent, the balance of the fee would be, say, roughly two percent, so forty-six percent would be railroad. If it is forty-eight percent then the additional two percent would be what I would call patented land, non-railroad patented land.
- Q In a few words, what is the purpose of the assignment agreement, Exhibit Thirteen?
- A. Exhibit Thirteen. Okay, Exhibit Thirteen, we own or our agreement with the railroad was only between the railroad and TransOcean Oil, we conveyed an undivided interest to the Estate of William G. Hellis of our position in this area and so the agreement here is just an instrument of conveyance from TransOcean to the Hellis Estate of the interest under the railroad development contract.

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- 0 And this interest results from the unit agreement?
- A. No, not this. The interest that we conveyed and have under the railroad covers additional lands than what is included in the unit agreement. In other words, our entire acreage position of railroad lands I would say is in excess of three hundred and fifty thousand acres and so this instrumen conveys an undivided thirty-seven and a half percent under the entire three hundred and fifty plus thousand acres.

MR. STAMETS: Are there any other questions of the witness? He may be excused.

(THEREUPON, the witness was excused.)

MR. CARR: I would call Dennis W. Belnap.

### DENNIS W. BELNAP

called as a witness, having been first duly sworn, was examined and testified as follows:

### DIRECT EXAMINATION

BY MR. CARR:

- 0 Would you state your full name?
- 21 A. Dennis Wayne Belnap.
  - Mr. Belnap, where do you reside, by whom are you employed and in what capacity?
  - A. I'm employed by TransOcean Oil, I'm the District Geologist for the Western Division and I reside in Houston,

Texas.

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- Q. Have you previously testified before the Commission and had your credentials accepted and made a matter of record?
  - A. No, sir.
- Would you briefly summarize for the Examiner your
  educational background and your work experience?
- A. I graduated from Brigham Young University in 1970 with a Master's degree, I have been actively full-time employed by major oil companies, working in Northern New Mexico since that time.
  - Q What was your degree in?
  - A. Geology.
- Q. Are you familiar with the particular area involved in these cases?
  - A. Yes.
- MR. CARR: Mr. Examiner, are Mr. Belnap's credentials as a geologist acceptable?
  - MR. STAMETS: The experience was as a geologist?
  - THE WITNESS: Yes, an exploration geologist.
- MR. STAMETS: Yes, the witness is considered qualified.
- Q (Mr. Carr continuing.) Are you familiar with the subject matter of these cases?
  - A. Yes, sir.
  - 0. Have you prepared or has there been prepared under

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your supervision and direction certain exhibits for introduction in this case?

A. Yes.

- Q Will you refer to what has been marked as Exhibits
  Fifteen and Sixteen and explain to the Examiner what these are
  and what they show? You may have to move up to the Examiner
  we only have one copy of these.
- A. Exhibit Fifteen is a general geological summary of the French, Omega and Remuda Units, Catron County, New Mexico, which delineates the location of the area, a brief summary of the stratigraphy and structural history of the region and the anticipated formations or age period of time, rocks, equivalents, that we anticipate to be potentially petroliferous reservoirs.

Exhibit Sixteen is a regional basin and production map designed to show the area of interest relative to major topographic features in Northwest New Mexico, basically mountain ranges and river valleys and its relationship to the productive region of the San Juan Basin and adjacent Four Corners area.

- Will you now refer to what has been marked as Exhibit Seventeen and explain to the Examiner what it shows?
- A. Exhibit Seventeen is a regional cross section designated C to D. It shows semi-schematically the structural and stratigrapic relationships between what TransOcean defines as the Zuni Basin and what the industry has defined as the

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San Juan Basin.

We note that in the San Juan Basin Cretaceous rocks are estimated to someday produce in excess of thirty some odd trillion cubic feet of gas. There is production from the Triassic formations in the San Juan Basin as well as oil production from Cretaceous sands.

As a result of cross section work from outcrops and subsurface work in wells we have correlated these formations over the Zuni Mountains which are a Tertiary Laramide uplift feature and into the few scattered wells in the Zuni Basin and we find that there is preserved in the Zuni Basin a Cretaceous section, a Permian section and some Pennsylvanian rocks and these are to be our anticipated targets during exploration for oil and gas in the region.

- Q Will you now refer to Exhibit Eighteen and explain what it shows to the Examiner?
- A. Exhibit Eighteen is a blowup of the Zuni Basin area that TransOcean is interested in with the salient stratigraphic features that have been determined from subsurface and surface work executed by TransOcean Oil in the area.

The hachured line on Exhibit Number Eighteen corresponds to the yellow outline on Exhibit Sixteen. Starting with the oldest known rocks in the area of potential hydrocarbon accumulation is the Pennsylvanian regional studies and accepted geological data in the area indicates that the Pennsylvanian

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is truncated around the margin of the old Zuni uplift which is an ancestral rocky feature similar to the Uncompander or San Luis Highlands, Pedernal Highlands, which are well documented geological features.

It is felt that where the wedge edge of the Pennsylvanian sediments occur is a very good spot to explore for oil and gas.

The overlying formations of the Permian -- there are three zones in the Permian which are of hydrocarbon potential, the Yeso being the lowest has a tendency to look like there may be some form of biogeneric buildups in the Yeso which would indicate either a show of carbonate environment or a potential reef environment.

Overlying the Yeso is the Glorietta sand which is a regional reservoir and would require anticlinal traps to trap hydrocarbons on them. Over the Glorietta is the San Andres which is a proven reservoir in Southeast New Mexico and Transocean feels that on the right structure, generated at the right time, that the San Andres could be a productive horizon.

The Triassic and Jurassic are involved in an unconformity in the region and in excess of two thousand feet of Cretaceous is preserved in the region and exact areas of where it is preserved is pretty well defined by our outline. We didn't look anywhere where there wouldn't be Cretaceous.

Would you now refer to Exhibits Nineteen and Twenty and explain to the Examiner what they show?

A. Exhibit Nineteen is a writeup pertinent to the Omega Unit, which covers the location, the structure in the region and the geological reasons for limiting the size and defining the configuration of the Omega Unit. The Omega Unit is in Townships 2 and 3, 4 North, Range 14 West, Catron County, New Mexico. It is located on a major, well documented, southtrending, south-plunging anticlinal nose. The anticipated zones to be tested are everything from surface to basement.

We have drawn the east, south and west term of the unit based on surface mapping which has been trajected to a plus five thousand foot structural contour drawn on the base of the Cretaceous and all of this is from field data and that's the east, south and west unit. The northern limit of the area is where we feel there is a facies change north of which you have tight, impermeable Permian sediments, the Yeso age, south of which there should be porous permeable reservoir rock of Yeso age.

The Cretaceous is also an objective on this feature and if depositional patterns defined in the San Juan Basin carry into the Zuni Basin we should see that the depositional bodies of Cretaceous sand strike northwest-southeast and if those bodies cross this well documented anticlinal nose, we could elevate Cretaceous sands into an optimum productive

position by a combination of structural and stratigraphic entrapment.

- Q. Will you now refer to what has been marked as Exhibits Twenty-one and Twenty-two and explain them to the Examiner?
- A. Exhibits Number Twenty-one and Twenty-two are the report and accompanying map relative to the French Unit and it covers the basic location, stratigraphy, structure and basis for the proposed unit. The French Unit is located in Townships 1 and 2 North, Ranges 16, 17 and 18 West, Catron County, New Mexico, starting approximately four miles west of the town of Quemado.

TransOcean Oil executed surface geological work in the area. All the strike and dip symbols on this map were taken in the field by people hired by TransOcean Oil. We have done subsurface work with a few wells in the area, plus a small amount of geophysical exploration and we have determined that we feel that there is a southwest limit of this Yeso Dolomitic-Biogeneric reseroir rock trend, south of which there should be evaporites in the Yeso, north of which should be potential reservoir rocks.

We have defined this area around the French Unit as an anticlinal complex. There is no one anticline but there are several low relief northeast-southwest trending anticlines. The termination of the east-north and a little northwest of

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the unit is on the plus five thousand, four hundred and fifty foot structural contour drawn on the base of the Cretaceous which was determined from field mapping.

The south and southwest termination of the unit is defined by this facies change in the Yeso. Further work is being carried on in the area and we hope to define specific four-way closed structures which would be an ideal spot to drill for oil and gas.

We would anticipate drilling this well to basement and evaluating all of the formations on the way down, Cretaceous, Permian, San Andres, Glorietta and Yeso.

- Q Would you now refer to Exhibits Twenty-three and Twenty-four and explain them to the Examiner?
- A. Exhibits Twenty-three and Twenty-four are the writeup and map relative to the Remuda Unit. It covers the stratigraphy, structure and the basis for the proposed unit.

The Remuda Unit is located in Townships 2 and 3 North, Ranges 9 and 10 West, Catron County, New Mexico.

The Remuda Unit is on a major north-south trending, south plunging, anticlinal trend which appears to have been bisected by an east-west structural lineament giving a four-way closed structure. The north-south-east-west limits of this unit are defined by the plus five thousand five hundred foot structural contour drawn on the base of the Cretaceous.

We also show some outcrops of Cretaceous in the center of

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Township 3 North, Range 9 West, which in classic geological terms, when spots of Cretaceous are exposed in the regions where there are only Tertiary outcrops you tend to think there is an anticline there and striking the measurements taken in the field has substantiated the fact that there is expressed at the surface an anticlinal closure defined by the Remuda Unit outline.

TransOcean Oil proposes to drill a test to basement in this area and test all potential productive horizons.

Dennis, in each of the units would you, for the Examiner, indicate where at this point you intend to put your test well?

A. In general we have a little further work to do but we are going to try and put it right here, basically in the center of the Omega Unit at the axis of the north-south trending anticline. I have a little bit of further work to do in that this anticline may be somewhat asymmetrical and I would, therefore, have to locate the well at the surface so as to get the crest of the anticline at depth.

In the French Unit our proposed plan to date is to locate a well in either the southwest corner of Section 12 or the northwest corner of Section 13 of Township 2 North, 18 West, basically because of the availability of surface dips is such that this appears to be a four-way closure. We believe others in this anticlinal complex are also four-way closures but the fact that we are going to risk considerable money we

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would like to definitely drill a well where we feel we have the best chance.

On the Remuda Unit we feel that we should drill in the Cretaceous that is exposed at the top of the anticline and put it somewhere in the center of Township 3 North, Range 9 West. All of these locations will be checked on the ground for topographic problems, range problems and we will position the wells so as to not tear up the countryside any more than is necessary.

- When do you plan to commence the drilling of these wells?
  - A. In the spring of 1977.
  - Q. In what order do you plan to drill them?
- A. We plan to drill the Remuda Unit first, the Omega Unit second and the French Unit third.
- O If you would like to sit down now I think we have just a few more questions.

In all of these units what is TransOcean's primary objective?

- A. The discovery of commercial quantities of oil and gas.
  - 0. From what formations?
  - A. Cretaceous, Pennsylvanian and Permian.
  - Q Is the Cretaceous the primary objective?
- A. At this point in time we can't really say due to the

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nature of the area which is the primary objective. They all three are legitimate objectives.

- What are the horizontal limits of the Omega Unit?
- A. The horizontal limits? I don't believe I understand that question fully.
- O Does your unit include all of the formations from the surface of the ground down through what formations?
  - A. To the Precambrian basement contact.
- Q. Is that the same of each of the other units, the French and the Remuda?
  - A. Yes, sir.
- 0. In your opinion will the proposed units be in the interest of the prevention of waste and the protection of correlative rights?
  - A. Yes, sir.
- Were Exhibits Fifteen through Twenty-four prepared by you or under your direction and supervision?
  - A. Yes.

MR. CARR: Mr. Examiner, at this time I would offer Exhibits Fifteen through Twenty-four and I have no further questions of this witness.

MR. STAMETS: These exhibits will be admitted.

(THEREUPON, Applicants Exhibits Fifteen

through Twenty-four were admitted into

evidence.)

MR. STAMETS: Are there any questions of the witness? He may be excused.

(THEREUPON, the witness was excused.)

MR. STAMETS: Is there anything further in this case?

MR. CARR: Nothing further.

MR. STAMETS: We will take the case under advisement and I would like to thank TransOcean for an extremely comprehensive report on an area that the Commission does not have a great deal of information on and I'm sure that we will find this most valuable and we wish to thank you.

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### REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

New Mexico Oil Conservation Commission