

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 ~~15~~ March 1989  
7 29

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Steve Sell for an un- CASE  
11 orthodox gas well Location, Eddy 9635  
12 County, New Mexico.

13 BEFORE: David R. Catanach, Examiner

14 TRANSCRIPT OF HEARING

15 A P P E A R A N C E S

16 For the Division:

17 For Steve Sell:

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I N D E X

KURT BOLEY

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1 MR. CATANACH: Case 9635.  
2 Application of Steve Sell for an unorthodox gas well loca-  
3 tion, Eddy County, New Mexico.

4 Appearances in this case?

5 MR. KELLAHIN: Mr. Examiner,  
6 I'm Tom Kellahin of the Santa Fe law firm of Kellahin,  
7 Kellahin & Aubrey, appearing on behalf of the applicant and  
8 I have one witness.

9 MR. CATANACH: Any other ap-  
10 pearances?

11 Will the witness please stand  
12 and be sworn in?

13

14 (Witness sworn.)

15

16

17 KURT BOLEY,  
18 being called as a witness and being duly sworn upon his  
19 oath, testified as follows, to-wit:

20

21 DIRECT EXAMINATION

22 BY MR. KELLAHIN:

23 Q Mr. Boley, for the record would you  
24 state your name and occupation?

25 A Kurt Boley, consulting geologist for  
Steve Sell.

1           Q           Mr. Boley, as a geologist, have you on  
2 a prior occasion testified before the New Mexico Oil Con-  
3 servation Division?

4           A           No, I have not.

5           Q           Would you describe when and where you  
6 obtained your degree in geology?

7           A           1982, Texas Tech University.

8           Q           Subsequent to obtaining your degree, Mr.  
9 Boley, would you summarize for us what has been your  
10 employment experience as a geologist, particularly in  
11 southeastern New Mexico?

12          A           Well, I've actually been a geologist  
13 employed by independent operators for eight years and I've  
14 worked extensively, basically all over New Mexico, and  
15 specifically in southeast New Mexico.

16          Q           Mr. Boley, have you made a specific  
17 study of the geology surrounding your client's application  
18 to have the Division approve an unorthodox well location in  
19 the Indian Basin Upper Pennsylvanian Gas Pool, located in  
20 Section 5 of Township 22 South, Range 24 East in Eddy  
21 County, New Mexico?

22          A           Yes.

23          Q           And pursuant to that employment have you  
24 had certain exhibits prepared for discussion in today's  
25 case?

1           A           Yes, all of the (not clearly audible).

2   MR. KELLAHIN:    Mr. Examiner,  
3 we tender Mr. Boley as an expert petroleum geologist.

4   MR. CATANACH:   He is so qual-  
5 ified.

6           Q           Mr. Boley, let me direct your attention  
7 first to Exhibit Number One and before we discuss the de-  
8 tails of the exhibit simply orient us as to what this ex-  
9 hibit is.

10          A           It's a landman's plat showing the owner-  
11 ship of the offsetting operators in Section 5 in Township  
12 22 South, Range 24 East.

13          Q           When we look at the center of the dis-  
14 play and find Section 5, who is the operator of the acreage  
15 involved in Section 5?

16          A           The operator of the lease that was  
17 bought by Donoho Oil & Gas is Steve Sell and Steve Sell  
18 will be the operator for all future operations.

19          Q           And what does Mr. Sell propose with re-  
20 gards to a well to be drilled in Section 5?

21          A           That we be able to drill a well 2063  
22 from the west, 1294 from the north line.

23          Q           Into what formation is your primary ob-  
24 jective?

25          A           The Cisco Upper Pennsylvanian Reef.

1 Q What, to your knowledge and understand-  
2 ing, are the spacing rules of the Oil Conservation Divi-  
3 sion for production out of that formation?

4 A 1650 from all outer boundaries.

5 Q Would be the well location requirement.

6 A Yes, and 330 from the interior forties.

7 Q And how much acreage is required to be  
8 dedicated to the well?

9 A At least 640 acres.

10 Q The entire section, then, would be dedi-  
11 cated to this well?

12 A Yes, which is greater than 640 acres,  
13 slightly.

14 Q There are some other wells that are key  
15 wells in your presentation, Mr. Boley. Let's talk about a  
16 couple of them so that the Examiner has them identified.

17 Find for me in the section to the north,  
18 in Section 32, the well that Citation has in the southwest  
19 quarter of that section.

20 A Okay, Citation bought this well from  
21 Texaco and they have a well located 1270 feet from their  
22 south line, our north line, and 660 from the west line.

23 Q There are two well symbols approximately  
24 at that location. What is the difference between the two?

25 A Well, the Getty 1-IB had some severe

1 hole problems and they basically skidded over and started  
2 over the hole and renamed it the 1-Y. It's -- they're very  
3 close to each other.

4 Q Describe for us generally what forma-  
5 tions that well has produced from.

6 A The Cisco and I believe to be producing  
7 from the Morrow current, right now.

8 Q Okay. Does your Exhibit Number One also  
9 show the offset operators to your Section No. 5?

10 A Yes, they're all marked in, well, appro-  
11 ximately the center.

12 Q Let me direct your attention to Exhibit  
13 Number Two, Mr. Boley. Would you identify Exhibit Number  
14 Two for us?

15 A Yes. This is certification of mailing.

16 Q And this is your certificate?

17 A Yes.

18 Q Attached to the certificate is a hand-  
19 written list of names and addresses. Did you prepare that?

20 A Yes, I did.

21 Q And does this represent to the best of  
22 your knowledge all the offset operators to Section 5?

23 A Yes.

24 Q All right, and you sent notification of  
25 this hearing to those operators by express mail, did you,

1 sir?

2 A Yes, I did.

3 Q And attached to the certificate, then,  
4 is the letter dated March 8th that describes what you were  
5 seeking to accomplish before the Commission?

6 A Yes.

7 Q Have you received any objection from any  
8 of the parties notified of your request?

9 A No, none at all.

10 Q All right, let's -- let's talk about the  
11 nature in which this well is unorthodox.

12 As we look at the proposed location in  
13 terms of its west boundary line --

14 A Yes.

15 Q -- is it standard as to that boundary?

16 A Yes. It's, well, it's greater than the  
17 minimum required. It's further away than need be.

18 Q The only boundary towards which that  
19 well encroaches is the north boundary, is it?

20 A Yes.

21 Q Have you had discussions with Citation  
22 Oil & Gas Corporation with regards to any potential objec-  
23 tion they might have to having your well located at an un-  
24 orthodox location?

25 A Yes.

1           Q           And have you obtained a waiver from that  
2 company?

3           A           Yes, we have.

4           Q           And is that marked as Exhibit Number  
5 Three?

6           A           Yes, sir.

7           Q           In making your geologic investigation of  
8 this prospect, Mr. Boley, would you describe for us what  
9 your ultimate conclusions were with regards to seeking the  
10 approval of an unorthodox location?

11          A           I'm not sure I understand.

12          Q           Why are you seeking an unorthodox loca-  
13 tion --

14          A           Oh, okay.

15          Q           -- as opposed to drilling the closest  
16 standard location.

17          A           Okay. We are seeking this location for  
18 really two reasons. One, topography. The standard location  
19 is in the -- in other words, 1650 from the north, 1650 from  
20 the west, is in the bottom of a rather deep canyon. It  
21 just so happens it's really right in the bottom of a very  
22 deep canyon.

23                        If we were to move further towards the  
24 southeast we could drill upon a higher area; however, we  
25 would hit the reef structurally lower and therefore not

1 have an opportunity to recover reserves on the lease.

2 1294 is the only location we can re-  
3 cover the reserves from our lease.

4 Q Let's look at Exhibit Number Four. Did  
5 you prepare this exhibit?

6 A Yes.

7 Q Describe for us what you've prepared.

8 A This is a structure map on top of the  
9 Cisco Reef superimposed on a topographic map.

10 Q Let's look at the geology first and then  
11 we'll talk about the topography.

12 Describe for us what information is sig-  
13 nificant for you as a geologist in determining a location  
14 for Cisco production in Section 5.

15 A Well, we want to be as high structurally  
16 above -3560 as possible. We have determined, myself, as  
17 well as the engineers, Osborne and Ewell, determined that  
18 -3560 subsea is the approximate gas/water contact current-  
19 ly.

20 The wells in this area tend to cone  
21 rather badly after time and if we -- if we drilled below  
22 the -3500 foot contour at a standard location, estimates  
23 are we would hit the top of the reef around -3520, -3530,  
24 and therefore we would cone out the well prior to recover-  
25 ing the reserves off of our own lease.

1           Q           The gas/water contact that you have  
2 estimated running through Section 5, will that follow the  
3 structural contour lines that you've shown on the display  
4 in Section 5?

5           A           Yes, it should.

6           Q           When we look at the area above, struc-  
7 turally above the -3560, that places the well generally in  
8 the northwest quarter of the section?

9           A           The reserves?

10          Q           Yes, sir, the reserves for the well.

11          A           Yes, there exactly, correct.

12          Q           When we look at that area, have you ex-  
13 amined the surface topography to determine what is the most  
14 reasonable surface location at which to place the well?

15          A           Yes.

16          Q           And what have you found?

17          A           This, the surface location is 2060 feet  
18 from the west, 1294 feet from the north, basically is the  
19 only location, and it is a rather expensive location in it-  
20 self just to drill a well here. This is rather harsh topo-  
21 graphy.

22          Q           Give us an indication of the magnitude  
23 of the expense to build a location as you propose for this  
24 particular site.

25          A           Estimates are approximately \$200,000.

1           Q           Let's look at the property to the north  
2 in Section 32, the well you previously described as the  
3 Citation Well the southwest quarter section. Do you find  
4 that?

5           A           Yes.

6           Q           The entire Section 32 is dedicated to  
7 that well?

8           A           Yes, it is.

9           Q           For the Cisco production.

10          A           Yes.

11          Q           Okay.

12          A           Both.

13          Q           It originally produced from the Cisco  
14 and then was recompleted in the Morrow?

15          A           Yes. It was originally produced from  
16 the Cisco, abandoned, and now completed in the Morrow.

17          Q           The location of the Citation Well to the  
18 common line between your property and their spacing unit is  
19 a distance of what, sir?

20          A           1270 feet.

21          Q           And you propose to be 1294 from that  
22 common line with your well?

23          A           Yes.

24          Q           Have you made a comparison of the approx-  
25 imate extent of the reserves between Section 5 and 32 for

1 the Cisco formation?

2 A Yes.

3 Q And what did you find?

4 A They appear to be very equal. The  
5 amount of reservoir in both sections appears to be approx-  
6 imately the same.

7 Q Should the Division approve your re-  
8 quested unorthodox location, Mr. Boley, for your well, do  
9 you have an opinion as to whether or not you're gaining an  
10 advantage over Citation and their correlative rights?

11 A No.

12 Q Why not, sir?

13 A Number one, they're 1294 from -- excuse  
14 me, 1270 feet from our north line, their south line. We're  
15 1294 feet from that common line. We both have the approxi-  
16 mate same amount of reservoir, as I stated, above the  
17 gas/water contact. They already have a wellbore at an un-  
18 orthodox location, not because of topography, and have  
19 tested the Cisco to be commercial, and number four, they  
20 have agreed we're not impairing their correlative rights by  
21 signing a waiver letter.

22 Q All right, sir, let's turn now to Exhi-  
23 bit Number Five and have you identify this exhibit for us.

24 A This is a topographic map, full size, of  
25 the entire area. It's simply just a topographic map with a

1 large red circle encircling the location so it can be seen.  
2 That's basically it.

3 Q Did you use Exhibit Number Five from  
4 which to prepare Exhibit Number Four?

5 A Yes, I did.

6 Q Let's turn now to the photographs which  
7 are marked as Exhibit Number Six, Mr. Boley. Did you take  
8 these photographs?

9 A Yes, I did.

10 Q Let's start with the photograph at the  
11 top of the page, the very first one. Would you identify  
12 for us where you were standing and the direction of view  
13 you were looking at when you took the photograph?

14 A I was standing approximately 400 feet  
15 south of our common line with Citation Oil & Gas, from our  
16 north line that (unclear) in Section 5, 22 South, 24 East,  
17 looking to the south, looking at the old well on the lease  
18 in Section 5, which would be the uppermost to the west,  
19 which is the right in this photograph, dot, and the lower  
20 dot towards the left, which would be towards the east is  
21 our proposed location, just showing, trying -- an attempt  
22 to show the harshness of this topography in the area and  
23 showing the distance between the two wells.

24 Q When we look at the second photograph  
25 down on Exhibit Number Six, where are you standing and what

1 direct is your view when you took the photograph?

2 A I was standing approximately 300 feet  
3 east of the -- the old Amoco well in Section 5, looking  
4 towards the east down on the flat area we are seeking ap-  
5 proval to drill.

6 Q The -- the red dot represents what, Mr.  
7 Boley?

8 A Just an approximate location of a pos-  
9 sible well.

10 Q Okay. In physically examining the topo-  
11 graphy of the area in the northwest quarter of Section 5  
12 that you seek to locate the well, is your proposed location  
13 the optimum surface location at which to locate the well?

14 A Yes, it is.

15 Q And what is the basis for your belief  
16 that that is the optimum location?

17 A Well, it's the only location that is  
18 where we can drain the reserves from our lease and remain  
19 as far away from the -- all offset operators as possible.

20 Q In terms of surface topography is it a  
21 reasonable access for you using existing roads?

22 A Yes, it is. We have a road all the way  
23 to the old well in Section 5 and basically you would have  
24 to simply just lay 800 more feet of road.

25 Q Do you find any other surface location

1 in the up structure position that you see that is com-  
2 parable to this location?

3 A There is nothing like it.

4 Q When we look at the last photograph on  
5 Exhibit Six on the bottom, what are we looking at there?

6 A I was standing approximately 800 feet,  
7 probably, from our north line, Citation's south line. I'm  
8 still in Section 5 looking towards Section 32, and I'm  
9 looking -- this shows Citation's pulling unit. That day  
10 they just happened to be recompleting the Morrow, and  
11 that's the well 1270 feet off of our north line.

12 Q All right, sir, let's turn now to Exhi-  
13 bit Number Seven. Would you identify for us Exhibit Number  
14 Seven, Mr. Boley?

15 A This is a structure map of a portion of  
16 the Indian Basin Pool --

17 Q Was this exhibit prepared --

18 A -- on top of the Cisco.

19 Q Was this exhibit prepared by you?

20 A Yes, it was.

21 Q There's a line of cross section shown on  
22 the display.

23 A Yes.

24 Q The Section 5 is obviously outlined in  
25 the -- or shaded in in the yellow coloring?

1           A           Yes.

2           Q           All right. In examining this area do  
3 you find other -- other than the Section 32 well that  
4 you've already discussed, do you find other wells that are  
5 located at unorthodox locations in this pool?

6           A           Yes, there are nine around us. If you  
7 go back to -- it's shown on this, shown on Exhibit Number  
8 Four (unclear).

9           Q           In what way are those identified on  
10 Exhibit Number Four, Mr. Boley?

11          A           They are circled in a rose colored  
12 pencil.

13          Q           Okay.

14          A           The yellow are just the newest comple-  
15 tions in the Cisco but all the rose colored are unorthodox  
16 locations because of geologic/topographic reasons.

17          Q           Was Exhibit -- the structure map imposed  
18 on Exhibit Four, is that taken from the structural inter-  
19 pretation shown on Exhibit Number Seven?

20          A           Yes, those are the same map.

21          Q           Describe for us your confidence in the  
22 well control available by which you then could prepare a  
23 structure contour map that you've shown here.

24          A           Well, we have very good control. We  
25 have at least a well per section, if not two wells per sec-

1 tion and I feel that the structure map is very accurate.

2 Q And what's your ultimate geologic con-  
3 clusion about the information shown on the structure map?

4 A That -- well, based on what I see here  
5 and what I know that, you know, I know the contact, 3560,  
6 -3560. I can see our reservoir up basically in the north-  
7 west half of our section. Citation has approximately the  
8 same. We need to drill the well at the proposed location.

9 Q In your opinion, Mr. Boley, will appro-  
10 val of this application protect the correlative rights of  
11 Mr. Sell and his interest owners in Section 5?

12 A Yes.

13 Q In what particular way?

14 A Well, we would be given the opportunity  
15 to drain the reserves from our section and not have them  
16 drained by Citation's well.

17 Q Do you gain any unfair advantage over  
18 Citation or any other interest owner in the reservoir with  
19 your location?

20 A No.

21 Q Let's go to the structural cross sec-  
22 tion on the wall, Mr. Boley. It's Exhibit Number Eight and  
23 if you'll take the pointer, let me have you start, sir, at  
24 the western end of the cross section and simply describe  
25 what you have concluded by an examination of the informa-

1 tion shown on the display.

2           A           We're looking, of course, west to east  
3 from A to A'. This cross section shows our estimated  
4 original gas/water contact and where it currently is, ap-  
5 proximately 24 years after first production in this field.

6                       Osborne and Ewell, Engineers, who looked  
7 at this, as well as myself, have determined that the cur-  
8 rent gas/water contact is approximately -3560 and you have  
9 a letter from them going into more detail, but I'll show  
10 you on the cross section why I think it's at this depth.

11                      This well in, let's see, the most east-  
12 erly well in Section 33 of 21, 23, its last production was  
13 in 12 of '72. The well has been shut-in for 17 years. It  
14 watered out in '72. In talking to the Marathon people that  
15 are currently producing this unit, this well made 3-to-4000  
16 barrels of water in a couple of days and it's been shut-in  
17 ever since.

18                      If you would look on the structure map,  
19 Section 4, that well is -3583 and it also watered out in  
20 1972, leading one to believe the water, current oil/water  
21 contact, of course, would be more up dip from that well.

22                      And the well in Section 5 of 22, 24,  
23 drilled in '88, the discovery well, 1650 from the south and  
24 from the east, made 300 barrels of water a day and a small  
25 amount of gas.

1           The well we are closest to in Section 5  
2 of 22, 24, perforated, the top of the reef is approxi-  
3 mately -3470, they perforated approximately 100 feet of the  
4 reef, making the bottom perforation a -3570. This well  
5 watered out in 1982 and (unclear), I believe, a couple  
6 years after that.

7           But at -3570, if this well watered out,  
8 the water had to approach and be above the bottom perfor-  
9 ation, so -- between this and other, Section 4 and Section  
10 33, that's why I can conclude approximately -3560 is the  
11 current gas/water contact, and this shows the approximate  
12 remaining gas detail from the shading (unclear) remaining  
13 gas on the structure, and if we're allowed to drill our  
14 proposed location, we would -- sort of 3 dimensional with  
15 this but we'd be drilling approximately here.

16           Q           Here between which logs?

17           A           Between Section -- it would be, let's  
18 see, the Don H. Trigg in Section 5 of 22, 24, and the dis-  
19 covery operating well in Section 5 of 22, 24.

20           Q           To assist you in confirming your conclu-  
21 sions about the approximate gas/water contact in this par-  
22 ticular area, Mr. Boley, have you sought the opinions of  
23 reservoir engineers on that subject?

24           A           Yes. Yes, I have.

25           Q           And is the report that you obtained from

1 the engineers marked and shown as Exhibit Number Nine to  
2 this hearing?

3 A Yes.

4 Q Mr. Boley, in your opinion will approval  
5 of this application by the Division allow Mr. Sell the  
6 opportunity to recover his share of the hydrocarbons in  
7 Section 5 and to do so without waste or impairing the cor-  
8 relative rights of others?

9 A Yes.

10 MR. KELLAHIN: That concludes  
11 our examination of Mr. Boley, Mr. Catanach.

12 We move the introduction of  
13 his Exhibits One through Nine.

14 MR. CATANACH: Exhibits One  
15 through Nine will be admitted as evidence.

16

17

CROSS EXAMINATION

18

BY MR. CATANACH:

19

20 Q Was -- was the Citation well a consider-  
21 ation in your choosing the location for your well?

21

22 A No, it was not a consideration, other  
23 than if -- if we don't drill this location, the we wouldn't  
24 get our reserves off of our lease and they would; simply we  
25 need to be above the -3500 foot contour and then we'll  
drain them, or if we don't drain them eventually -- there's

1 two reasons, in other words, why we need to be where we  
2 propose.

3 Q You said the cost of your proposed  
4 location is about \$200,000?

5 A Yes, sir.

6 Q Would you explain why that's so high?

7 A We have to make a rather large cut in  
8 the side of that -- in other words, the pad has to be ap-  
9 proximately 400 feet by 400 feet, and the reserve pits have  
10 to be there whether we drill it with air or not, just for a  
11 safety precaution, and we have to, according to my under-  
12 standing of the BLM in this case, we have to build our pits  
13 to the inside of the hill rather than towards the edge off  
14 of the canyon, and we have to blast and cut 20 feet or so  
15 into the side of this hill and remove the rock, and that  
16 was -- that was the amounts I heard from the contractor  
17 standing with me a couple of weeks ago out there.

18 Q Was -- this is all Federal acreage,  
19 isn't it?

20 A Yes, sir.

21 Q Did BLM have a part in choosing or are  
22 you determining what location to drill at? Did they have a  
23 say in it or --

24 A We haven't -- we've talked to them about  
25 it. They haven't been out on the site. I believe they

1 probably have actually gone out and looked at it on their  
2 own, just because I was out on another well the other day  
3 and say them heading in that direction. We talked, and I  
4 believe they went up to look at it.

5                   It is the only place and I've walked the  
6 whole lease and it's the only place to drill. If we don't  
7 drill there, you know, we'll be very close to Citation's  
8 line or else we're going to be off structure, so it  
9 (unclear) topography.

10               Q           Tell me a little bit about the well just  
11 to the southwest of the --

12               A           Discovery Operating?

13               Q           The Well No. 2, is that the --

14               A           Yes, that was drilled in '87 or '88, I'm  
15 not -- I believe it was '88.

16               Q           Uh-huh.

17               A           And they drilled, of course, looking for  
18 the Cisco, and encountered the top at -3633, which is just  
19 too low, and drill stem tested, you know, a small amount of  
20 gas with a large amount of water, and plugged the well.

21               Q           It was never produced?

22               A           Never.

23               Q           So you feel that that -- that difference  
24 in your location would take you up structure from that one.

25               A           Yes, I believe we'll be approximately

1 140 feet up dip from that well.

2 Q How much pay -- pay do you estimate you  
3 will have between the top of the reef and the gas/water  
4 contact?

5 A Approximately, if we get to drill this  
6 location, from the bottom perforations to the top of the --  
7 or to the gas/water contact, 60 or 70 feet.

8 That's, of course, we're planning to go  
9 approximately 20 feet into the reef if we hit it at -3470.  
10 If we hit it at -3490 the porosity, there's a nice 10-foot  
11 porosity streak there and just produce that from -3490 to  
12 -3500. We think the contact is -3560, so that puts us 60,  
13 70 feet up dip from the contact. That's how I came to that  
14 conclusion. No deeper, we wouldn't go any deeper into the  
15 reef, probably, than that much initially.

16 Q Do you have any idea why that well in  
17 Section 32 was authorized at that location?

18 A No, I don't. I can't -- can't under-  
19 stand why; especially the 660 off the line, but over in 36  
20 of 21, 24, in Section 1 of 22 or -- yes, 21, 23 and 22, 23,  
21 Section 1, you notice the two new wells on the westerly  
22 edge there, the -3459, let's see, you're looking -- do you  
23 have Exhibit Four in front of you?

24 Q Yes.

25 A Do you see the two yellow wells? Those

1 are the newest wells. I've -- actually the Citation well  
2 was drilled before those so I really don't -- I was going  
3 to make a comparison there, but actually it was drilled  
4 before those two new wells were drilled.

5 Q You said there was approximately 9  
6 unorthodox locations in this pool?

7 A Well, just around us.

8 Q Really. Do you know how many wells  
9 there are in the pool?

10 A I believe there are 56. As you see,  
11 this one isn't colored but I believe yours is colored with  
12 the rose, everyone of those is unorthodox and obviously not  
13 solely because of topography. You can see in Section 32,  
14 for example, the Citation, where the road is. It's much  
15 flatter than the purported \$600,000 cost it cost them to  
16 build their location, so everyone in this area goes to  
17 great extremes to obviously get as high structurally as  
18 possible. It's critical to a good well.

19 Q How did you determine the well name for  
20 this well? I'm curious, Bandid Federal No. 1?

21 A It's the name of one of our investors,  
22 an establishment, and we just came up on the way to the  
23 well site.

24 Q This whole section has been  
25 communitized, right, it's -- you have all the acreage dedi-

1 cated to this well. I notice there's a 40-acre Yates unit  
2 in there.

3 A Yes. Apparently they're going to join  
4 rather than farmout. I'm almost positive they'll join us.

5 Q I see.

6 A They have about 5.7 percent royalty.

7 Q And you don't feel any kind of penalty  
8 is appropriate for this -- for this well?

9 A No. Based on the 1294 feet, it's very  
10 close to a standard location, and to my knowledge there's  
11 no penalty imposed on any of these other wells around us.

12 Q Do you -- do you plan to test the Morrow  
13 in this well or just the Upper Pennsylvanian?

14 A Well, right now just the Upper Penn. At  
15 a later date we probably will (unclear.)

16 MR. CATANACH: I have no fur-  
17 ther questions of the witness. Anything further?

18 MR. KELLAHIN: No, sir, that's  
19 all.

20 MR. CATANACH: If there's  
21 nothing further in this case it will be taken under advise-  
22 ment.

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(Hearing concluded.)

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## C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9635, heard by me on March 29 19 89.

David R. Catamb, Examiner  
Oil Conservation Division