

Dockets Nos. 13-89 and 14-89 are tentatively set for April 26 and May 10, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 12, 1989

8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases will be heard before Michael E. Stoger, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for May, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for May, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9610: (Continued from March 15, 1989, Examiner Hearing.)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Knights Bridge Petroleum Corporation and James Marchbanks and all other interested parties to appear and show cause why the Triple Crown Well No. 1 located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 6, Township 9 North, Range 31 East, Quay County, New Mexico (being located approximately 7.75 miles northeast by north of Quay, New Mexico), should not be plugged and abandoned in accordance with a Division-approved plugging program. Additionally, the Division seeks an order directing the operator to pay the costs of such plugging and if the Operator fails to do so, ordering a forfeiture of the Operator's bond and authorizing the Director of the Division to make demand upon First National Bank of Tucumcari to pay to the Division so much of the funds of the certificate of deposit given as collateral for the bond as is necessary to pay the costs of plugging said well.

CASE 9643: Application of Steve Sell for directional drilling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authorization to directionally drill a well from a surface location 1400 feet from the South line and 1075 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East to a bottomhole location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool within 50 feet of a point which is an unorthodox gas well location 1650 feet from the South line and 850 feet from the West line of said Section 35. All of said Section 35 to be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool. This unit is located approximately 14 miles west of Carlsbad, New Mexico.

CASE 9200: (Continued from March 29, 1989, Examiner Hearing.) (Reopened)

In the matter of Case 9200 being reopened pursuant to the provisions of Division Order No. R-8518, which promulgated temporary special rules and regulations for the South Shoe Bar-Upper Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre spacing units. Operators in the subject pool may appear and show cause why the South Shoe Bar-Upper Pennsylvanian Pool rules should not be rescinded.

CASE 9644: Application of Nearburg Producing Company for directional drilling and an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter the UNC Texas, Inc. State "10" Well No. 1 from a surface location 660 feet from the North line and 1980 feet from the West line (Unit C), Section 10, Township 12 South, Range 38 East, and directionally drill as to test the Devonian formation (Undesignated Gladiola-Devonian Pool or Undesignated East Gladiola-Devonian Pool) to within 100 feet of an unorthodox bottomhole oil well location 1000 feet from the North line and 1100 feet from the West line (Unit D) of said Section 10. The NW/4 NW/4 of said Section 10 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit. Said well is located approximately 3.5 miles northwest by north of Bronco, Texas.

CASE 9645: Application of BP Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Atoka formation underlying the SE/4 SW/4 of Section 30, Township 17 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing (which presently includes but is not necessarily limited to the Undesignated Hobbs Channel-Bone Spring Pool, Undesignated Hobbs Channel-San Andres Pool, and the Undesignated Hobbs Channel-Wolfcamp Pool). Said unit to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 1.5 miles east of Humble City, New Mexico.

Examiner Hearing - Wednesday - April 12, 1989

CASE 9636: (Continued from March 29, 1989, Examiner Hearing.)

Application of Grand Resources Inc. for statutory unitization, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the designated and Undesignated Mesa-Gallup Oil Pool underlying 4800.00 acres, more or less, of Navajo Indian lands in all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said unit is to be designated the Mesa-Gallup Unit Area. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a provision for carrying any nonconsenting working interest owner within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9637: (Continued from March 29, 1989, Examiner Hearing.)

Application of Grand Resources Inc. for a waterflood project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the designated and Undesignated Mesa-Gallup Oil Pool in its proposed Mesa-Gallup Unit Area (Division Case No. 9636) underlying all or portions of Sections 10, 13, 14, 15, 23, 24 and 25, Township 32 North, Range 18 West and Section 30, Township 32 North, Range 17 West, all as projected into the unsurveyed Navajo Indian Reservation. Said area is located approximately 12 miles north of Shiprock, New Mexico.

CASE 9646: Application of Sun Exploration and Production Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Mobil "22" Federal Lease located in Section 22, Township 26, South, Range 29 East, by the injection of water into the Brushy Draw-Delaware Pool through its Mobil Federal "22" Well No. 5 located 990 feet from the South line and 2310 feet from the West line (Unit N) of said Section 22. Said well is located approximately 1.75 miles north of Mile Corner No. 53 plus 2640 feet on the Texas/New Mexico Stateline.

CASE 9647: Application of Parker & Parsley Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle oil production from the Undesignated East Loving-Delaware Pool and the South Culebra Bluff-Bone Spring Pool within the wellbore of its Pardue Farms "27" Btry. 1 Well No. 4, located 660 feet from the South and East lines (Unit P) of Section 27, Township 23 South, Range 28 East. Said well is located approximately 2 miles southeast by east of Loving, New Mexico.

CASE 9648: Application of Meridian Oil, Inc. to amend Division Order No. R-8868, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-8868 to include authorization for a non-standard coal gas well location for the subject well of said order to be drilled 2200 feet from the North line and 1360 feet from the East line (Unit G) of Section 36, Township 30 North, Range 6 West, Basin-Fruitland Coal (Gas) Pool, Lots 1, 2, 3 and 4 and the W/2 E/2 of said Section 36 to be dedicated to said well forming a non-standard 230.24-acre spacing and proration unit for said pool. Said location is approximately 5.5 miles northwest by north of Gobernador, New Mexico.

CASE 9649: Application of Meridian Oil, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox coal gas well location 790 feet from the North line and 1,165 feet from the West line (Unit D) of Section 16, Township 30 North, Range 8 West, Basin-Fruitland Coal Gas Pool, the W/2 of said Section 16 to be dedicated forming a standard 320-acre gas spacing and proration unit for said pool. Said location is approximately 4.25 miles west by north of the Navajo Reservoir Dam.

CASE 9572: (Continued from March 1, 1989, Examiner Hearing.)

Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 164.87-acre non-standard gas spacing and proration unit for production from the Basin-Fruitland Coal (Gas) Pool comprising Lots 1 and 2 and the E/2 NW/4 of Section 31, Township 28 North, Range 10 West. Said unit is to be dedicated to its Knauff Well No. 1 which is presently completed in the Kutz-Fruitland Pool and is located at a previously authorized unorthodox coal gas well location (pursuant to Decretory Paragraph No. (4) of Division Order No. R-8768) 1015 feet from the North line and 1650 feet from the West line (Unit C) of said Section 31. This well is located approximately 6.5 miles south-southeast of Bloomfield, New Mexico.

Dockets Nos. 16-89 and 17-89 are tentatively set for May 24 and June 7, 1989. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 10, 1989

**8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO**

The following cases will be heard before Michael E. Stogner, Examiner, or David R. Catanach, or Victor T. Lyon, Alternate Examiners:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for June, 1989, from fourteen prorated gas pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1989, from four prorated gas pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 9653: (Readvertised)

Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Middle Creek State Unit Area comprising 15,680.73 acres, more or less, of State and Fee lands in a portion of Townships 8 and 9 South, Range 23 East. Said unit is located approximately 13 miles north-northwest of Roswell, New Mexico.

CASE 9654: (Readvertised) (This case will be dismissed.)

Application of Yates Petroleum Corporation for a unit agreement, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Todd Unit Area comprising 960 acres, more or less, of State and Federal lands in the E/2 of Section 17 and all of Section 16, Township 7 South, Range 35 East. Said unit is located approximately 5 miles north-northwest of Milnesand, New Mexico.

CASE 9282: (Continued & Readvertised) (This Case will be dismissed.)

Application of Mobil Producing Texas and New Mexico Inc. for the expansion of the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the expansion of the West Lindrith Gallup-Dakota Oil Pool to include all of Sections 6, 7, 8, and 9, Township 24 North, Range 2 West. Said area is approximately one-half mile north of Lindrith, New Mexico.

CASE 9663: Application of The Petroleum Corporation of Delaware for downhole commingling, the amendment of Division Order No. R-7269, and the amendment of Division Administrative Order NSP-1290, Eddy County, New Mexico. Applicant, in the above-styled cause, and as operator of the Superior Federal Well No. 6 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 6, Township 20 South, Range 29 East, seeks to downhole commingle production from the Undesignated East Burton Flat-Atoka Gas Pool and the East Burton Flat-Morrow Gas Pool. Applicant also seeks to permit such commingled production to be produced through tubing and the production of gas from the East Burton Flat-Strawn Gas Pool through the casing-tubing annulus of said well and that Division Order No. R-7269 be amended accordingly. Applicant further seeks to amend Division Administrative Order NSP-1290, dated April 28, 1982; which authorized a 299.84-acre, more or less, gas spacing and proration unit for the East Burton Flat-Strawn Gas Pool comprising Lots 6 and 7, the E/2 SW/4, and the SE/4 of said Section 6 for said well; to include both the Undesignated East Burton Flat-Atoka Gas Pool and the East Burton Flat-Morrow Gas Pool. Applicant also requests that any such order issued in this case be made effective retroactively to May 1987. Said well is located approximately 7.5 miles northwest of the junction of New Mexico Highway No. 31 North and U.S. Highway 62/180.

CASE 9664: Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Queen formation or to a depth of 4,600 feet, whichever is deeper, underlying the NW/4 SE/4 of Section 21, Township 18 South, Range 35 East, forming a standard statewide 40-acre spacing and proration unit, said unit to be dedicated to its Reeves 21 State Well No. 2 to be drilled at a standard oil well location 1980 feet from the South line and 1980 feet from the East line (Unit J) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately one quarter mile west of Milepost No. 3 on Old State Highway 8.

CASE 9665: Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Undesignated Reeves-Queen Pool or to a depth of 4,600 feet, whichever is deeper, underlying the NE/4 SE/4 of Section 21, Township 18 South, Range 35 East, forming a standard statewide 40-acre oil spacing and proration unit, said unit to be dedicated to its Reeves 21 State Well No. 3 to be drilled at a standard oil well location 1980 feet from the South line and 780 feet from the East line (Unit I) of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said well location is approximately 100 feet east of Milepost No. 3 on Old State Highway No. 8.

CASE 9639: (Continued from April 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 313.78-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 205 to be drilled at a standard coal gas well location in the NW/4 of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9641: (Continued from April 26, 1989, Examiner Hearing.)

Application of Meridian Oil, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 (equivalent) of Section 23, Township 31 North, Range 10 West, forming a standard 315.75-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "B" Com Well No. 205 to be drilled at a standard coal gas well location in the SW/4 of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 9 miles northeast of Aztec, New Mexico.

CASE 9666: Application of Bill Fenn, Inc. for an unorthodox gas well location and dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete a well in the Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool at an unorthodox gas well location 825 feet from the North line and 1650 feet from the East line (Unit B) of Section 7, Township 22 South, Range 24 East, all of said Irregular Section 7 to be dedicated to the well forming a 617.68-acre gas spacing and proration unit for both pools. Said well location is approximately 4.5 miles south-southeast of the Marathon Oil Company Indian Basin Gas Plant.

CASE 9667: Application of Midland Phoenix Corporation for unorthodox gas well location and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool and the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the E/2 of Section 34, Township 24 South, Range 34 East, to form a standard 320-acre gas spacing and proration unit for both pools, to be dedicated to a well to be drilled at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 miles west-southwest of the Junction of Old State Highway No. 128 and County Road No. 2.

CASE 9645: (Readvertised)

Application of BP Exploration, Inc., for compulsory pooling and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Atoka formation underlying the SE/4 SW/4 of Section 30, Township 17 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre spacing (which presently includes but is not necessarily limited to the Undesignated Hobbs Channel-Bone Spring Pool, Undesignated Hobbs Channel-San Andres Pool, and the Undesignated Hobbs Channel-Wolfcamp Pool). Said unit is to be dedicated to a well to be directionally drilled from a surface location 1138 feet from the South line and 1633 feet from the West line of said Section 30 to a point within 100 feet of a standard bottomhole oil well location 660 feet from the South line and 1817 feet from the West line of said Section 30. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 1.5 miles east of Humble City, New Mexico.

CASE 9668: Application of Nearburg Producing Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 990 feet from the North line and 1500 feet from the West line (Unit C) of Section 12, Township 17 South, Range 37 East, Undesignated Shipp-Strawn Pool, the N/2 NW/4 of said Section 12 to be dedicated to the well forming a standard 80-acre oil spacing and proration unit. Said location is approximately 4 miles north of Humble City, New Mexico.

CASE 9669: Application of Enron Oil & Gas Company for compulsory pooling, unorthodox gas well location, and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Morrow Gas Pool underlying the S/2 of Section 34, Township 24 South, Range 34 East, forming a standard 320-acre gas spacing and proration unit for said pool. Applicant further seeks an order pooling all mineral interests in the Undesignated Pitchfork Ranch-Atoka Gas Pool underlying the SE/4 of said Section 34, forming a non-standard 160-acre gas spacing and proration unit for said pool. Both aforementioned units are to be dedicated to a single well to be drilled

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 10 May 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of BP Exploration, Inc. for CASE
10 compulsory pooling and directional drill- 9645
11 ing, Lea County, New Mexico.

12 BEFORE: Michael E. Stogner, Examiner

13 TRANSCRIPT OF HEARING

14 A P P E A R A N C E S

15 For the Division:

16 For BP Exploration, Inc.: Scott Hall
17 Attorney at Law
18 CAMPBELL and BLACK, P. A.
19 P. O. Box 2208
20 Santa Fe, New Mexico 87501

21 For Santa Fe Energy Owen M. Lopez
22 Operating Patners, Ltd.: Attorney at Law
23 HINKLE LAW FIRM
24 P. O. Box 2068
25 Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

JAMES SIKES

Direct Examination by Mr. Hall	3
Cross Examination by Mr. Stogner	12

KATHERINE SHANKS

Direct Examination by Mr. Hall	18
Cross Examination by Mr. Stogner	23

DAVID JOHNSON

Direct Examination by Mr. Hall	26
Cross Examination by Mr. Stogner	31

E X H I B I T S

BP Exploration Exhibit One, C-102	5
BP Exploration Exhibit Two, Listing	5
BP Exploration Exhibit Three, Cost Estimate	6
BP Exploration Exhibit Four, Affidavit	8
BP Exploration Exhibit Five, Letter	7
BP Exploration Exhibit Six, Notice	11
BP Exploration Exhibit Seven, Data	19
BP Exploration Exhibit Eight, Plat	28
BP Exploration Exhibit Nine, Summary	29
BP Exploration Exhibit Ten, Drilling Proposal	30
BP Exploration Exhibit Eleven, Agreement	24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. STOGNER: The hearing will come to order for Case Number 9645, application of BP Exploration, Incorporated, for compulsory pooling and directional drilling, Lea County, New Mexico.

Call for appearances.

MR. HALL: Mr. Examiner, Scott Hall from the Campbell & Black law firm of Santa Fe on behalf of BP, with three witnesses this afternoon.

MR. STOGNER: Are there any other appearances?

MR. LOPEZ: Yes, Mr. Examiner. My name is Owen Lopez of the Hinkle Law Firm appearing on behalf of Santa Fe Energy Operating Partners, Limited.

MR. STOGNER: Are there any other appearances in this matter?

Will the witnesses please stand to be sworn and raise your right hands.

(Witnesses sworn.)

MR. STOGNER: Mr. Hall, you may continue.

JAMES SIKES,
being called as a witness and being duly sworn upon his

1 oath, testified as follows, to-wit:

2
3 DIRECT EXAMINATION

4 BY MR. HALL:

5 Q For the record please state your name.

6 A James Sikes, S-I-K-E-S.

7 Q Mr. Sikes, where do you live and by whom
8 are you employed and in what capacity?

9 A I'm residing in Houston, Texas. I'm em-
10 ployed by BP Exploration, Inc., as a landman.

11 Q And you've previously testified before
12 the Division or one of its Examiners and had your creden-
13 tials accepted?

14 A I have.

15 Q Are you familiar with the application
16 here today and the subject well?

17 A I am.

18 Q What is the purpose of the application?

19 A To compulsorily pool the various miner-
20 al interests in the proration unit that we propose this
21 well in and also to ask for acceptance of our unorthodox
22 surface location which will bottom out at an orthodox loca-
23 tion.

24 Q All right, so you are requesting a
25 standard bottom hole location?

1 A Correct.

2 Q All right. Mr. Sikes, let's look at
3 Exhibit One. Would you explain that, please?

4 A Exhibit One is our C-102 form that
5 depicts the surface location, proposed surface location of
6 our Howling Coyote No. 1 Well, 1633 feet from the west line
7 and 1138 feet from the south line.

8 Q Well, let me ask you, is this a -- what
9 formation are you targeting?

10 A We're going for a Strawn-Atoka test,
11 which would be an 11,800-foot well. This will be a wildcat
12 and under statewide wildcat rules it specifies that we must
13 be 330 feet from a quarter quarter section line. That's
14 why this surface location would be unorthodox.

15 Q All right. Let's look at Exhibit Two,
16 if you would, please.

17 A Okay.

18 Q Would you explain that to the Examiner?

19 A This is a listing of the various lease-
20 hold interests in the tract involved here. The leasehold
21 interest owners that have not voluntarily committed are
22 listed at the top.

23 Below that are mineral interests that
24 are unleased and in this case all of these parties are un-
25 locatable parties and then at the bottom we're showing BP

1 Exploration and all our consenting partners with the last
2 interest there, making up the 100 percent.

3 Q All right. Let's state for the record
4 which parties you're seeking to pool and the extent of
5 their ownership.

6 A All of the leasehold interest owners
7 depicted in the top portion there, being Harvey E. Yates
8 Company, Spiro, Inc., Explorers Petroleum Corp., Yates
9 Energy Corporation, all of Roswell, New Mexico, T. Verne
10 Dwyer of Midland, Texas, and Santa Fe Energy Operating
11 Partners, Limited Partnership, of Midland, Texas.

12 Q And the extent of that unpooled interest
13 or yet to be joined interest, is 11.3967 percent, is that
14 correct?

15 A That's Santa Fe's interest plus 1.5625
16 percent that would cover all of the Yates parties above.

17 Q All right. What is the interest that
18 has consented?

19 A So far 82.3533 percent has voluntarily
20 consented.

21 Q All right. Let's look at Exhibit Three.
22 Would you identify that and explain that to the Examiner?

23 A This is a cost estimate of the well done
24 by our drilling department in house. This is an exact copy
25 of the cost estimate that we have furnished all of the

1 operating parties involved.

2 Q All right, and do you believe that --
3 well, let me ask you first, what is the total for a com-
4 pleted well?

5 A For a completed well we're estimating
6 \$752,800.

7 For a dry hole, \$475,600.

8 Q Are these costs in line with what's
9 being charged for similar wells in the area?

10 A Yes, they are.

11 Q All right. Would you please summarize
12 the efforts to secure the voluntary joinder of the yet to
13 join parties?

14 A We have sent out the cost estimate with
15 an offer to either sell or farm out their interest should
16 they not desire to participate.

17 Q And you're referring to Exhibit Five?

18 A Correct.

19 Q Why don't you explain each of those at-
20 tachments to Exhibit Five?

21 A Okay. The same letter went out to T.
22 Verne Dwyer as went to the Harvey Yates Companies, basi-
23 cally the same offer, on March 20th, 1989.

24 We followed up by sending out an oper-
25 ating agreement on April 25th.

1 Between March 20th and April 25th by
2 verbal conveyance from T. Verne Dwyer in Santa Fe the
3 interest owned by T. Verne Dwyer was bought on behalf of
4 Santa Fe and they are in the process of conveying the same.
5 Therefore we sent the operating agreement directly to Santa
6 Fe.

7 Q All right. I understand that you've not
8 received any written response from Santa Fe, is that cor-
9 rect?

10 A That's correct.

11 Q So you do not have a deal with them at
12 this date.

13 A Santa Fe or the Harvey Yates Companies,
14 although the Harvey Yates Companies have all verbally indi-
15 cated that they will be participating but we don't have
16 anything in writing.

17 Q All right. I understand also that there
18 are some mineral interest owners who you could not locate,
19 is that the case?

20 A That's correct.

21 Q Let's look at Exhibit Four. Does that
22 explain that fact?

23 A Yes, it does.

24 Q And this --

25 A This is an affidavit of fact prepared by

1 the general partner of O'Ryan Oil and Gas Properties, who
2 is our contact -- our contract lease broker that does the
3 work for BP Exploration in the Lea County area.

4 He has specified in this affidavit each
5 particular interest and why it was not locatable. In each
6 case, there's four interests there in question, the last
7 mention of title was in 1930 for all of them.

8 Q All right. In your opinion has BP made
9 a good faith effort to locate all unlocatable parties, to
10 the best of your ability, and also made a good faith ef-
11 fort to secure voluntary joinders of the other parties?

12 A I believe we have.

13 Q All right. Let's leap ahead, if we
14 might. Are you asking that a risk penalty be imposed upon
15 the nonconsents?

16 A Yes, we are.

17 Q And what penalty are you seeking?

18 A We're asking for a 200 percent risk pen-
19 alty for the nonconsenting interest owners.

20 Q And you have some geologic and engineer-
21 ing testimony upcoming that will elaborate on that, do you
22 not?

23 A Yes.

24 Q Have you made an estimate of the over-
25 head and administrative costs while drilling and producing

1 the well?

2 A Yes.

3 Q What are those costs?

4 A For the drilling rate would be \$5700 and
5 the producing rate of \$570.00.

6 Q And are these costs in line with what's
7 being charged in the area?

8 A Yes, they are.

9 Q Has BP drilled other Strawn wells or
10 participates in other Strawn wells?

11 A Yes, we have. We've drilled many of our
12 own and participated in a number in the vicinity that we're
13 looking at here.

14 Q All right.

15 A Although this is a wildcat stepping out
16 away from there, we still consider it the general area.

17 Q All right. So based upon that past ex-
18 perience you also believe that these costs that you're
19 seeking to be incorporated into the order are in line with
20 what's being charged.

21 A Definitely.

22 Q All right. And BP does seek to be de-
23 signated operator, does it not?

24 A Yes.

25 Q In your opinion, Mr. Sikes, will the

1 granting of the application be in the best interests of
2 conservation, the prevention of waste and protection of
3 correlative rights?

4 A Yes.

5 Q Let me also hand you Exhibit Six. Is
6 Exhibit Six a copy of the notice you've directed your
7 counsel to send out to affected interest owners?

8 A Yes, it is.

9 Q All right. Mr. Sikes, is BP seeking an
10 expedited order in this matter?

11 A We are.

12 Q And for what reason?

13 A We have a contractual obligation with
14 other working interest owners to begin operations before
15 June 1st. This June 1st date that we're talking about is
16 an extension that we've already had granted for the purpose
17 of this hearing.

18 This hearing was -- the compulsory pool-
19 ing portion of this hearing was continued from a date in
20 April and would we have met that date in April we would
21 have been able to satisfy our original obligation of May
22 1st.

23 Because of the surface problem that
24 we've encountered in our decision to move the surface loca-
25 tion unorthodox, and because we were unable to administra-

1 tively handle that, we had to continued the original order;
2 therefore we did get a granting of an extension previous-
3 ly of our commitment date but we don't anticipate that an-
4 other one of those will be possible.

5 Q All right. The only reason that you are
6 seeking a nonstandard surface location is because of sur-
7 face considerations, is that correct?

8 A That's correct.

9 Q With a topographic obstruction?

10 A Correct.

11 Q All right.

12 MR. HALL: That concludes our
13 direct of this witness.

14 We'd move the admission of
15 Exhibits One through Six.

16 MR. STOGNER: Exhibits One
17 through Six will be admitted into evidence.

18
19 CROSS EXAMINATION

20 BY MR. STOGNER:

21 Q Mr. Sikes, you are proposing to force
22 pool mineral interests in what vertical limits?

23 A From the surface to the Atoka formation.

24 Q Okay. Now you say this well is a wild-
25 cat well. You want to be more specific? Is it a wildcat

1 as for what formation and/or formations?

2 A To the best of my knowledge there is not
3 active production within a mile of this location; therefore
4 it wouldn't fall within any existing pool rules.

5 I know that there's not active Strawn
6 production within 2-1/2 to 3 miles. The Strawn-Atoka test
7 being our main objective here would clearly put it as a
8 wildcat well.

9 Q Are you familiar with the term "pool" in
10 this state?

11 A Somewhat.

12 Q Okay. Do you know if there's any
13 defined pools in this particular area that would not make
14 this a wildcat well?

15 A No, I don't.

16 Q Okay.

17 A I know there is not Strawn pools in
18 this area.

19 Q But you are force pooling other inter-
20 ests besides what's in the Strawn and the Atoka, is that
21 correct?

22 A Yes.

23 Q So the Bone Springs would be in there.

24 A Yes.

25 Q Okay, the Hobbs Channel Bone Springs is

1 a designated pool and you're within a mile of it, so that
2 means you're not a -- you're not a wildcat in the Bone
3 Spring.

4 The San Andres, that would also be con-
5 sidered in this order, would it not?

6 A Yes.

7 Q Okay, the Hobbs Channel San Andres Pool
8 over in Section 36 of 17, 37, is within a mile.

9 And how about the Wolfcamp? Do you know
10 if there's any Wolfcamp pools out there?

11 A I'm not aware of any.

12 Q Okay, there is one in Section 25 of 17
13 South, 37 East. These are designated pools. They may or
14 may not necessarily have production now but they have at
15 one time. That is an oil pool spaced on 40 acres and
16 you're within a mile of it.

17 And by what you're telling me, there's
18 probably not production out there any more.

19 Now, you're requesting overhead charges
20 of 5700 and 570.

21 A Yes.

22 Q Of the 82.5 -- I'm sorry, 82.3533 per-
23 cent that have -- have agreed, is this all BP Exploration,
24 Incorporated, or are there some other lease interest owners
25 which are participating?

1 A There are other operators involved in
2 that interest, those being David Petroleum Corporation,
3 Colin R. McMillan, and Yates Petroleum Corporation.

4 Q And what were the overhead charges in
5 those lease agreements signed by these three parties?

6 A As far as lease agreements I don't think
7 there were overhead charges in the leases.

8 Q Okay.

9 A All of these parties have signed the
10 operating agreement that we have prepared that provides for
11 the 5700 and 570.

12 Q Okay, so there is an operating agreement
13 with these three parties.

14 A Yes, there is.

15 Q Okay. Could you provide me a copy of
16 that, one of these, that shows that subsequent to this
17 hearing?

18 A Yes, I will.

19 Q And those all -- those three show 5700
20 for drilling and -- I'm sorry, 5700 for drilling and 570
21 for producing.

22 A Yes.

23 Q Okay. In your Exhibit Number Four, this
24 is an affidavit from Greg Golladay?

25 A Yes.

1 Q G-O-L-L-A-D-A-Y?

2 A Yes.

3 Q And what kind of a time span are we
4 talking of his work for you in searching these interests
5 out?

6 A His firm has worked for BP, previously
7 known as Standard Oil Production Company, for on the order
8 of 4 years in the Lovington area.

9 As far as this particular tract, they
10 began their search, their compiling of the interests in
11 this tract, in January of this year and have made efforts
12 ever since then to locate these parties.

13 Q Have you worked with him or worked
14 close with him in this endeavor or have you been in commun-
15 ication with him?

16 A Yes, as his superior.

17 Q Okay. What kind of research work was
18 involved in finding this information out and trying to
19 locate the heirs or these people?

20 A Basically first they would run the
21 records to see if there were any more conveyances of re-
22 cord that would clue us in where to find them.

23 They usually will search through index
24 pages to see if their names come up anywhere else in the
25 county. They also contact other -- when they're contacting

1 other mineral owners in the tract, ask them if they know of
2 these people or know of any of their heirs or successors in
3 interest, and short of that, you know, phone book. Other
4 than that there's really nowhere else you can turn if no-
5 body else knows where to find them and you have no record
6 of where they were deceased or anything like that.

7 Q Okay. And they have no address at all,
8 I would assume.

9 A Correct. The deeds where they appeared
10 of record just specified their home town, those being
11 listed in the affidavit, most of them in Oklahoma.

12 Q I guess I'm missing that. Where -- oh,
13 here it is, I'm sorry.

14 Am I looking at the right --

15 A Exhibit Number Four.

16 Q Exhibit Number Four, I do not show their
17 home town. I mean, let's look under Gilley here.

18 A Yeah, I -- I'm mistaken. I do have
19 their home towns and I can tell you where they -- each
20 individual --

21 Q Okay, let's go through that, then. I
22 might be kin to them.

23 A L. C. Gilley, we do not know an address
24 or a home town on.

25 Q Okay.

1 A Abe Schweitzer, Earlsboro, Oklahoma.
2 Q Oldsboro?
3 A Earlsboro.
4 Q Earls.
5 A Irving J. Oppenheim and Pearl Oppenheim,
6 Wewoka, Oklahoma.
7 And Sam A. Davis, Earlsboro, Oklahoma.
8 MR. STOGNER: Okay, I have no
9 further questions of Mr. Sikes.
10 Are there any other questions
11 of this witness?
12 MR. HALL: No, sir.
13 MR. STOGNER: He may be ex-
14 cused.
15 Okay, Mr. Hall?
16
17 KATHERINE SHANKS,
18 being called as a witness and being duly sworn upon her
19 oath, testified as follows, to-wit:
20
21 DIRECT EXAMINATION
22 BY MR. HALL:
23 Q For the record, please state your name.
24 A Katherine Shanks.
25 Q Ms. Shanks, you previously testified

1 before the Commission and had your credentials accepted, is
2 that correct?

3 A Yes.

4 Q And you are a geologist for BP, is that
5 correct?

6 A Yes.

7 Q With respect to the 200 percent risk
8 penalty that's been recommended in this case, do you con-
9 cur with that recommendation?

10 A Yes, I do.

11 Q And what is the basis of that?

12 A Our knowledge of the area, geologic
13 knowledge of the area.

14 Q All right, let's refer to what is
15 numbered Exhibit Seven, if you would, please, and explain
16 that to the hearing examiner.

17 A The Lovington Strawn produces from
18 areally discrete, very steep sided, phylloid algal mounds.
19 This exhibit shows the top of the Tubb horizon in terms of
20 structure and also the blue area outlines the porosity in
21 our Strawn prospect area.

22 Q All right.

23 A The well location is over 2 to 2-1/2
24 miles from any Strawn production. Wells in Section 25 and
25 36, as you mentioned earlier, are producing from shallower

1 horizons.

2 We believe there is significant risk
3 involved with drilling the subsurface location which is
4 labeled as "target" on this display.

5 From a statistical study there is a 68
6 percent chance of an operator drilling a sub-economic well
7 in this play; therefore it's imperative that we drill our
8 best subsurface target.

9 This particular target was defined by
10 several miles of proprietary seismic data shown on the
11 exhibit in a dashed line.

12 The surface location has been moved to
13 the north as illustrated on the diagram. The movement of
14 this surface location to the north is countering the struc-
15 tural grain at the Tubb horizon. This is important to note
16 because at this point in the subsurface section wellbores
17 generally tend to drift four to five degrees, resulting in
18 a horizontal move out.

19 If BP were to drill a straight hole at
20 the surface location, as illustrated on this map, it would
21 be an unacceptable risk to the company and probably cause
22 the well not to be drilled.

23 Q Is the seismic your only control for
24 determining the parameters of this particular Strawn mound?

25 A Yes, it is.

1 Q And is it true that the Strawn occurs in
2 patchy reefs or spotty locations?

3 A Yes, it does. A really discrete, very
4 steep sided, phylloid algal mounds.

5 Q All right, it is not a homogeneous oc-
6 ccurring reservoir, then, is it?

7 A No, it is not.

8 Q Is there a chance that if you drilled a
9 straight hole at your nonstandard surface location, that
10 your well would miss the Strawn mound altogether?

11 A Yes, there's a very good chance and the
12 reason that is is because the surface location is off of
13 two proprietary seismic lines and the interpretation has
14 been inferred.

15 Q All right. What can you tell us about
16 the dip from this particular exhibit?

17 A Well, again, just that the Tubb horizon
18 is up-dip to the north, as illustrated by the structural
19 contours on the map from 4100 feet to the north to 4300
20 feet to the south, and this is going to cause any wells
21 drilled in this area to drift to the north counter to where
22 our target location is in the subsurface.

23 Q All right. Indeed, is there a chance
24 that a completion at your standard bottom hole location
25 will be commercially unsuccessful?

1 A Yes, there is a chance. There's a 68
2 percent chance --

3 Q All right.

4 A -- that drilling to the subsurface or-
5 thodox target location, our well would be sub-economic.

6 Q But there is a greater likelihood that
7 the well would be commercial if completed at the proposed
8 standard location than at the straight hole nonstandard
9 surface location.

10 A Yes, there is.

11 Q Okay. Was Exhibit Seven prepared by you
12 or at your direction?

13 A Yes, it was.

14 Q Do you have anything further to add with
15 respect to the exhibit?

16 A No, I don't.

17 Q All right.

18 MR. HALL: We'd move the admis-
19 sion of Exhibit Seven and that concludes our direct of this
20 witness.

21 MR. STOGNER: Exhibit Seven
22 will be admitted into evidence.

23

24

25

CROSS EXAMINATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BY MR. STOGNER:

Q Ms. Shanks, this is from the -- on the top of the Tubb formation?

A Yes.

Q Okay. And the mound outline is in the --

A Strawn.

Q -- is in the Strawn. And this is how far from other Strawn production?

A The nearest production is 2-1/2 miles northwest in South Humble City Field, directly north of the Inexco Dougherty Well shown in the northwest corner of the map.

Q Okay.

A It would be the next section up.

Q These dashed lines which you show that criss-cross the mound outline, those are your proprietary geophysical lines, I assume?

A Yes, they are.

Q And how far did they extend to the north and south?

A Several miles.

Q Several miles, so they extended quite a bit of distance both north and south as what's shown here.

1 A That's right, and there are more lines
2 than illustrated on this display, as well.

3 Q How many more would you suggest?

4 A In this area, five or six.

5 Q Now the three that are shown here, were
6 these British Petroleum's seismic lines or were they of
7 somebody else's and which you had obtained?

8 A They are our own, owned by us in part-
9 nership with partners in the AMI.

10 Q I'm sorry, AMI?

11 A Area of mutual interest.

12 Q Okay, and you mentioned there was two
13 other seismic lines of the area. Are those also British
14 Petroleum's interest parties or were those obtained?

15 A No, several of the lines are either spec
16 data or owned by our partners.

17 Q Okay. Were -- did they go over the same
18 general area or did they criss-cross in an east and west
19 direction?

20 A One of the lines is an east/west line
21 which follows the section line between Section 31 and
22 Section 30. That, I believe, to the best of knowledge is a
23 spec line.

24 Several other lines go north/south in
25 Section 19 and 20, respectively.

1 I've illustrated these three lines on
2 this display because they were key in defining the areal
3 extent of the prospect.

4 Q So essentially you have four lines that
5 went over this general area, over this direct area.

6 A Yes.

7 Q Now, when you -- when we look at an out-
8 line, are we looking at a physical outline or is it a poro-
9 sity outline or --

10 A This is an outline of the porosity
11 within what we believe is the Strawn in a phylloid algal
12 mound.

13 Q Okay, is there a minimum porosity or a
14 zero porosity?

15 A We've defined the edges of this parti-
16 cular algal mound with 20 feet of porosity greater than 4
17 percent.

18 Anything below that we don't feel we can
19 resolve seismically.

20 Q 20 feet of porosity at 4 percent.

21 A Greater than 4 percent.

22 Q Greater than 4 percent.

23 A So anything in blue is greater than 20
24 feet of porosity.

25 Q Based on geophysical, of course.

1 A Yes.

2 MR. STOGNER: Okay. I have no
3 other questions of this witness.

4 Mr. Lopez?

5 MR. LOPEZ: Nothing, Mr.
6 Examiner.

7 MR. STOGNER; Mr. Hall, do you
8 have any further questions?

9 MR. HALL: No, sir.

10 MR. STOGNER: She may be ex-
11 cused.

12 Mr. Hall?

13 MR. HALL: One final witness.

14

15 DAVID JOHNSON,
16 being called as a witness and being duly sworn upon his
17 oath, testified as follows, to-wit:

18

19 DIRECT EXAMINATION

20 BY MR. HALL:

21 Q For the record would you please state
22 your name?

23 A David Johnson.

24 Q Mr. Johnson, where do you live and by
25 whom are you employed and in what capacity?

1 A I'm an engineering supervisor with BP
2 Exploration in Houston, Texas.

3 Q And I understand you've not previously
4 testified before the New Mexico Division, is that correct?

5 A That is correct.

6 Q Would you please give the hearing
7 examiner a brief summary of your educational background and
8 work experience?

9 A Received a BS in petroleum engineering
10 in February, 1972, from Montana College of Mineral Science
11 and Technology.

12 Worked in drilling for 17 years. I was
13 5 years in Anchorage, Alaska, for Unical Corporation. That
14 was mostly working offshore directional wells.

15 I worked a year in Casper as a Senior
16 Drilling Engineer in the Rocky Mountain area, which includ-
17 ed the northern New Mexico area.

18 I then worked three years for Texas
19 Pacific Oil Company in Dallas, Texas, as a Senior Engineer,
20 and then a Drilling Superintendent over the -- covering the
21 Rocky Mountain and Oklahoma areas.

22 I worked two years in Denver, one year
23 for South Louisiana Production Company as an Assistant
24 Drilling Manager over the Rocky Mountain area, and one year
25 for Resource Investment Corporation as a Drilling Manager

1 covering their total United States operation.

2 I then worked six years for BP Explor-
3 ation, 3-1/2 years as a Senior Staff Drilling (unclear) for
4 their at that time it was the Midcontinent Division in Mid-
5 land -- I mean in Dallas, Texas. That job incorporated the
6 Midland area which covered the New Mexico drilling. I
7 worked one year in Dallas in the research center in charge
8 of their cement section and I've been a year and a half in
9 (unclear) as an Engineering Supervisor in the Drilling
10 Department.

11 For the last six months I've been in
12 charge for the Rocky Mountains and New Mexico area.

13 Q And you're familiar with the lands and
14 proposed well that are the subject of this application?

15 A Yes, I am.

16 MR. HALL: We'd offer the
17 witness as a qualified engineer.

18 MR. STOGNER: Mr. Johnson is
19 so qualified.

20 Q Mr. Johnson, I understand you prepared
21 certain exhibits in connection with your testimony.

22 Let's look at Exhibit Eight, if you
23 would, please, and explain that to the Examiner.

24 A Okay, Exhibit Eight is a surface plat
25 prepared by a registered surveyor showing the structures in

1 the area and where the original (not clearly understood)
2 and also houses on the south side of Alabama Street but
3 that was off our lease.

4 Q With respect to the streets shown on the
5 Exhibit Eight, are those paved streets?

6 A Yes.

7 Q How will you access the actual drilling
8 location?

9 A We'll be coming in on Sam Martin Street,
10 coming in from the west side of the location.

11 Q All right. Let's look at Exhibit Eight,
12 if you would please, and explain that to the Examiner. I'm
13 sorry, Exhibit Nine.

14 A Exhibit Nine is a summary of our drill-
15 ing proposal which is also shown graphically in Exhibit
16 Ten.

17 What we propose to do is to drill to our
18 surface casing point at 4500 feet and then after setting
19 surface casing run a gyro survey, continue to drill running
20 intermittent surveys down to 9000 feet, surveying the well
21 (unclear) we would plan to kick off. We would, however,
22 possibly take (unclear) and test the formation at 8000 feet
23 if we had to, because of the northern direction we would
24 expect the well to trend.

25 At kickoff point we'd be using a mud

1 motor. We would build, probably 4 to 4-1/2 degrees and
2 then go in with a building assembly and build it to 16
3 degrees by about 10,000 feet, and then run locked assem-
4 blies from there to drill it to the proposed TD with the
5 top of the Strawn shown at the original proposed location
6 and the bottom hole would still be within the boundaries of
7 an orthodox location.

8 Q Now, with respect of the natural drift
9 of the drill string, which I understand is to the north, --

10 A Right.

11 Q -- what particular problems are posed by
12 the Strawn formation that up dips to the north as well?

13 A We would anticipate having direction
14 control problems because of the northern tendency, plus
15 potential for hole problems because we'd be going against
16 the natural grain. Typically on a well like this if we
17 didn't have the structure we would actually move about 100
18 feet to the south of the proposed location (not clearly
19 understood).

20 Q All right, and so the location on the
21 surface to the north presents an additional risk factor.

22 A Yes.

23 Q All right, let's look at Exhibit Ten, if
24 you'd explain that, please.

25 A That is just a graphical display of

1 Exhibit Nine showing vertical section with the kick off
2 point at 9000 feet going on down through the Strawn and to
3 the TD and also shows the plan view from the surface loca-
4 tion showing the target location at the top of the Strawn
5 and also the bottom hole location staying within the or-
6 thodox location.

7 Q All right. Do you have anything further
8 you wish to add with respect to the three exhibits you've
9 talked about?

10 A No, I don't.

11 MR. HALL: At this point, Mr.
12 Examiner, we'd move the admission of Exhibits Eight, Nine
13 and Ten.

14 MR. STOGNER: Exhibits Eight,
15 Nine and Ten will be admitted into evidence.

16 MR. HALL: That concludes our
17 direct of this witness.

18
19 CROSS EXAMINATION

20 BY MR. STOGNER:

21 Q There's an additional charge in drilling
22 the well directionally, isn't there, Mr. Johnson?

23 A Yes, there is.

24 Q How much of an estimate would you say
25 it's going to cost to drill this well because of direc-

1 tional drilling as opposed to a straight well?

2 A We're estimating \$35-to-50,000.

3 Q Do you know if that's incorporated in
4 the APD?

5 A Yes, it is.

6 Q In looking at your Exhibit Number Ten, I
7 see that you're going to begin your kick off point, now
8 will that be in the Tubb or the Wolfcamp formation?

9 A That will be in the lower part of the
10 Tubb.

11 Q At which time it will build to an angle
12 of about 15.8, about 16 degrees, is that correct, what
13 you're calling for?

14 A Correct.

15 Q It appears to me that this is a -- well,
16 let's back up there a little bit.

17 The main target is the Lower Strawn and
18 the Atoka, is that correct?

19 A Right.

20 Q Okay. It appears that this is a stand-
21 ard location for the Lower Strawn and Atoka but if there --

22 A Right.

23 Q -- was any -- if there was any comple-
24 tion up above to a point in which it's closer than 330 from
25 either lease line, that would be unorthodox, would it not,

1 Wolfcamp or Tubb?

2 A Yes, it would.

3 Q Okay. And at this time there is no call
4 for this case to be an unorthodox location. I'd like to
5 say at this time if for some reason in the future this well
6 is plugged back and completed in either zone up above here,
7 at that time then an unorthodox location request will have
8 to be filed.

9 It's beyond the call of this particular
10 case at this time but since it's -- since it's a standard
11 location for the Strawn and Atoka, I don't see any problem,
12 but is there any questions on that or any comments, Mr.
13 Hall?

14 MR. HALL: Not at this time.

15 MR. STOGNER: Okay, do I make
16 myself clear to what we see here?

17 MR. HALL: Yes, you did. I
18 understand.

19 MR. STOGNER: Okay, and then
20 there are some provisions in the general rules and regu-
21 lations, such as this, a recompletion of a well that was
22 completed in a lower zone at an unorthodox location can get
23 administrative approval with certain provisions in there
24 and which calls for notification and a waiting period and
25 such as that, but I'll make that point at this time.

1 I have no other questions of
2 Mr. Johnson.

3 Are there any other questions
4 of this witness?

5 MR. HALL: Nothing.

6 MR. STOGNER: Mr. Lopez?

7 MR. LOPEZ: No, Mr. Examiner.

8 MR. STOGNER: Okay, anything
9 further in this case, Mr. Hall?

10 MR. HALL: Yes, sir. We have
11 a copy of the JOA which you've requested. We'll introduce
12 that as Exhibit Eleven as soon as I locate the stamp.

13 MR. STOGNER: I guess somebody
14 took it. Just write it in there, Exhibit Eleven, Case No.
15 9645.

16 MR. STOGNER: We'll accept
17 Exhibit Eleven at this time.

18 Is there anything further from
19 anybody in Case Number 9645?

20 This case will be taken under
21 advisement and we'll take notice of your rush request on
22 this.

23

24

(Hearing concluded.)

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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. 9645 heard by me on 10 May 1989.

[Signature] Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

12 April 1989

EXAMINER HEARING

IN THE MATTER OF:

In the matter of cases called on this
date and continued or dismissed with-
out testimony presented.

CASES
9643
9645
9636
9637
9648
9649
9572
9573

*Transcript in
Case 9643*

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico