STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
Santa Fe, New Mexico

8 April 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Conoco Inc. for pool creation, special pool rules, discovery allowable and an unorthodox oil well location, Lea County, New Mexico. CASE 9117

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Legal Counsel to the Division
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For the Applicant: W. Thomas Kellahin
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I N D E X

E X H I B I T S

MR. STOGNER: Call next Case Number 9117.

MR. TAYLOR: The application of Conoco, Incorporated, for pool creation, special pool rules, discovery allowable, and an unorthodox oil well location, Lea County, New Mexico.

MR. STOGNER: Call for appearances.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have two witnesses to be sworn.

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

Will both witnesses please stand and be sworn at this time?

(Witnesses sworn.)

HUGH INGRAM,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Ingram, for the record would you please state your name and occupation?

A My name is Hugh Ingram. I'm Conservation Coordinator for Conoco for the Hobbs Division, covering all of New Mexico.

Q Have you previously testified before the Oil Conservation Division of New Mexico, Mr. Ingram?

A Yes, I have.

Q Would you describe for us, Mr. Ingram, what it is that Conoco seeks to accomplish with this application?

A In Case Number 9117 Conoco seeks discovery allowable, new pool designation, and approval of an unorthodox location for its Bell Lake Unit Well No. 11. Also we seek temporary pool rules designating 80-acre spacing, special well location requirement for the new pool providing that wells be located within 150 feet of center of the quarter quarter section.

Q You're proposing a creation of a new oil pool?

A That's right.

Q And the discovery well is identified as the Bell Lake Unit Well No. 11?

A That's correct.

Q And what is the proposed spacing that you're requesting?

A 80 acres.

Q And for what period of time do you want the Division to establish temporary pool rules for the pool?

A We would like one year temporary pool rules.

Q With regards to well locations for the new pool, Mr. Ingram, do you have a recommendation to the Examiner as to a proposed well location requirement?

A Yes. We would suggest that wells be located within 150 feet of the quarter quarter section, which they're located.

Q Let me direct your attention to Exhibit Number One and have you identify this exhibit and describe what it is.

A Exhibit Number One is the Oil Conservation Division Form C-109 and I included this form merely to summarize some of the information pertaining to this well and some offsetting wells to the Bell Lake Unit Well No. 11.

It's just a summary sheet and all of the information shown on this form will be talked about in more detail later on in the testimony.

Q Let's pick out some of the information on Exhibit Number One, for example, what is the proposed pool name for the new pool?

A We propose calling the new pool Bell Lake Cherry Canyon because other wells in that area carry the Bell Lake designation in their pool names and so we propose to carry that same name in the Cherry Canyon formation.

Q When was this well completed and ready to produce, Mr. Ingram?

A The well was completed and ready to produce on February 12th, 1987.

Q And what was the initial test on the well in terms of its ability to produce?

A The IP was 263 barrels of oil, 182 barrels of water, and 230 MCF gas.

Q The exhibit indicates the top and the bottom of the pay. Have you verified whether or not by using that interval we are including all of the Cherry Canyon production zone within the discovery well?

A Yes. That also will be covered in a later testimony by another exhibit, a log that will show the top and bottom of the Cherry Canyon formation.

Q All right, sir. Now let's go to the bottom of that exhibit and have you identify for me, sir, the offset operators or interest owners that may be affected by

the formation of a new pool.

A Conoco is designated operator of the Bell Lake Unit. The unit agreement provides that wells will be drilled on an individual acreage basis with Conoco drilling the wells if they so desire, and if the well becomes -- if it's found to be economic, then -- and normally a participating area is established for that well, and then there might be in that case as the participating area expands, there could be other working interest owners come into part ownership of that well.

However, on this acreage Conoco owns 100 percent of the working interest in the acreage on which this well is located.

Q Would you identify for the Examiner the other operators or working interest owners to whom you sent notification of this case?

A Yes. In Section 36 to the east of this well Exxon is the operator, the owner of that section, and to the north in Section 30 Yates Petroleum is the owner of that section.

To the southeast in the north half of the northwest quarter of Section 5, we initially thought that Tripor Oil was the owner of that 80-acre tract. I was unable to establish a mailing address for Tripor. I checked with the New Mexico Oil Conservation Division in Hobbs. I

checked with the Bureau of Land Management in Hobbs, and then just a couple of days ago I found out that it has changed hands a couple of times and at this time MCO Resources in Houston own the rights in that 80-acre tract.

I have mailed by certified mail copies of this notice of this hearing to Exxon and to Yates Petroleum.

I called MCO Resources on the phone Monday and I found out that they own that interest and I told them what we intended to do and asked them to notify the Commission or us if they had any opposition to this case.

Q Finally among the requests that you're making of the Examiner is the inclusion of approval of the discovery well as an unorthodox location.

A That's correct.

Q Would you give the Examiner the exact footage location for the discovery well?

A The Bell Lake Unit Well No. 11 is located 790 feet from the south line, 2265 feet from the west line of Section 31, Township 23 South, Range 34 East, Lea County, New Mexico.

Q Let's turn now, Mr. Ingram, to Exhibit Number Two and have you identify and describe that exhibit.

A Exhibit Number Two is the Oil Conservation Division Form C-102. The purpose of this form is to -- is normally to obtain approval to drill. We're using the

form in this case to show the exact location of the Bell Lake Unit Well No. 11 at the location just stated.

Also we have designated on Exhibit Two the 80-acre tract that we propose to designate as the proration unit for this well.

Q That's outlined in red and will be the south half of the southwest quarter of that section.

A That's correct.

Q All right, sir, let's turn to Exhibit Number Three and have you identify and describe that exhibit.

A The Exhibit Number Three was included to show the nearest Cherry Canyon production to our Bell Lake Unit Well No. 11, as being Estoril's well in Section 8 -- I'm sorry, in Section 7 of Township 22 South, Range 34 East, or it's more than five miles away from our Bell Lake Unit Well No. 11.

Q All right, sir, what's identified by the red arrow?

A It is identified by the green arrow.

Q Yes, sir, and now what is identified by the red arrow?

A The red arrow identifies the Bell Lake Unit Well No. 11, the well of this application.

Q Would you describe for the Examiner how

we ended up with an unorthodox well location for the subject well?

A As you'll note on the Exhibit Three, there are three wells within that quarter quarter section in Section 31.

The first well, No. 1, designated by the number one, was drilled back in the mid-fifties. It was intended to be a Devonian gas well. The well was lost in the Atoka. It was subsequently plugged and abandoned. A replacement well was drilled designated by the number one and the letter A just to the southeast. That well was drilled and completed in the Devonian, depleted. Subsequently completed in the Morrow and depleted, and it is now shut-in.

The Well No. 11 was drilled at the location 790 from the south, 2265 from the west lines of Section 31, being the nearest location that we could drill to the center of that quarter quarter section.

Q What has been the history of the attempts to produce the subject well in various locations?

A The subject well was originally drilled and completed in the Bone Spring formation. It produced from that formation until such time as it became uneconomic and was shut-in and has subsequently been recompleted in the Cherry Canyon.

Q Let's turn now to Exhibit Number Four,

Mr. Ingram, and have you identify and describe that exhibit.

A Exhibit Number Four is a map showing the location of the Bell Lake Unit Well No. 11, designated by the red arrow. The circle around that section designates a 2-mile radius around the well, as required by OCD regulations. All wells within a 2-mile radius have been identified.

The legend is shown in the lower lefthand corner of the exhibit and by looking closely you can identify every well within a 2-mile radius and the formation in which it was completed.

Q And the nearest well that produces from the Cherry Canyon formation is located where, sir?

A We'd have to refer to -- back to Exhibit Number Three and the nearest Cherry Canyon well to the well of this application is more than five miles to the northeast.

Q On Exhibit Four the area identified within the circle other than the discovery well does not contain any producing Cherry Canyon formation wells.

A No, it does not.

Q Let me have you identify Exhibit Four-A for us, if you please, Mr. Ingram.

A Exhibit Number Four-A was included to show that we have notified the offset operators and not only

offset operators but any operator within a one mile radius of the well that has been recompleted because the proposed pool boundary for our well will includes -- is within one mile of acreage that is owned by other operators and so they could be affecteds by the special pool rules.

Q Do you have a recommendation to the Examiner as to the boundaries to be initially established for the new pool?

A Yes. Referring again to Exhibit Number Three, we have designated our proposed pool boundary by a broken line covering the south half of Section 31 and the north half -- that is in Township 23 South, Range 33 East -- I'm sorry, Range 34 East, and also the north half of the north half of Section 6 in Township 24 South, Range 34 East.

Q What's the basis upon which you're recommending the establishment of that area as the initial pool boundary for the pool?

A Primarily the one -- the main reason that I selected that pool boundary is because we do intend to move to Well No. 12 just to the northeast of No. 11, as shown on Exhibit Number Three and attempt to recomplete that well in the Cherry Canyon formation and we also consider Well No. 3 in the north half of the north half of Section 6 just to the south of No. 11 as a candidate for Cherry Canyon completion.

Q Do you have a recommendation to the Examiner as an effective date for establishment of the pool rules?

A We would suggest that the date effective for the new pool rule be the date of completion of the well, date of first production, which is February 12, 1987.

Q February 12th, '87 is the first production on the discovery well?

A That's correct.

Q All right.

MR. KELLAHIN: Mr. Examiner, that completes my direct examination of Mr. Ingram.

My second witness is a petroleum engineer and he will discuss in detail for us the engineering aspects of the case.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Ingram, when I received the application for this proposal today, the boundaries were not mentioned in the application, so it was advertised that it was cover that 80-acre proration unit, which we found out through some telephone calls, and subsequently this application was advertised as the boundary just being the south half of the southwest quarter.

Now you've talked about several wells, the No. 12 and the No. 3 subsequently being brought in to the pool rules. Will these wells be covered under your proposed pool rules? What I'm getting at is the one mile boundary within the pool rules? Will that be sufficient or do you think we should readvertise this for the pool rules which you're proposing today?

A Mr. Examiner, I wouldn't suggest a readvertisement. We would have no problem with establishing the pool boundary as covering only that 80-acre tract. Of course, according to statewide rules, any well drilled within one mile would automatically be drilled under those pool rules, and so the pool would then be automatically adjusted by any subsequent wells drilled and so I would have no problem with that at all.

Q Thank you, Mr. Ingram.

Let's see, to make sure I got this date correct, the first production was February 12th, 1987?

A That's correct.

Q And that was oil production or gas, is the gas hooked up at this time, or --

A No, that was oil production.

Q How about the casinghead gas, does it make any?

A It does. It has a gas/oil ratio of about

875 and we're working on a gas connection right now.

Q And right now is it being flared or being used for lease purposes.

A It's being vented. No, it's being vented, Mr. Examiner.

Q When was this well originally drilled?

A The well was originally drilled in 1976 -- '72 as a Bone Spring producer.

MR. STOGNER: I have no further questions of this witness.

Are there any other questions of Mr. Ingram?

MR. KELLAHIN: No, sir.

CROSS EXAMINATION

BY MR. TAYLOR:

Q Hugh.

A Uh-huh.

Q Would it be your testimony that dating the order prior to the date of application here would help to prevent waste and protect correlative rights?

A Yes, it would, Mr. Taylor, because during the initial potential testing of that well we did produce during the month of February, during the potential test, and we would like for that allowable to be made -- that discov-

ery allowable to be made retroactive because of the initial test.

Q Okay, thank you. I just wanted to get that on the record.

MR. KELLAHIN: It doesn't change anyone's interest or participation in the well by making that the effective date. It had to do with the accrued production during the test period.

BILL SAVAGE,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Savage, for the record would you please state your name and occupation?

A My name is Bill Savage and I'm an associate engineer with Conoco, Incorporated.

Q Mr. Savage, have you previously testified before the Division as an engineer?

A No, I haven't.

Q Would you summarize for the Examiner what has been your educational background and work experience as an engineer?

A Yes. I graduated from Colorado School of Mines with a BS in petroleum engineering in May of 1986, and since that time I began work with Conoco in Hobbs, New Mexico as an associate petroleum engineer.

Q Pursuant to your employment, Mr. Savage, have you made a study of the engineering facts surrounding the discovery well and the application of Conoco today?

A Yes, I have.

Q And based upon that study, Mr. Savage, have you reached certain conclusions and opinions about the establishment of a new pool for the discovery well?

A Yes, I have.

MR. KELLAHIN: We tender Mr. Savage as an expert engineer.

MR. STOGNER: Mr. Savage is so qualified.

Q Mr. Savage, let me direct your attention to what we have marked as Exhibit Number Five and I identify for us that exhibit.

A Exhibit Number Five is a wellbore diagram showing the previous completion in the Bone Springs formation.

Q When you talk about previous completion, this is for the discovery well and it's as it existed prior to being recompleted in the Cherry Canyon formation?

A Yes, sir.

Q Show us where it was previously completed in the Bone Springs, Mr. Savage.

A It's previous completion interval was from 8641 to 8781 in the Bone Springs formation.

Q Let's take that exhibit now and compare it to Exhibit Number Six. Would you identify for us Exhibit Number Six?

A Yes. Exhibit Number Six is a wellbore diagram of the same well showing the current completion after the recompletion to the Cherry Canyon.

Q Have you satisfied yourself, Mr. Savage, as an engineer that the recompletion in the Cherry Canyon constitutes a new discovery?

A Yes, I have.

Q All right, let's talk about the separation between the Bone Springs and the Cherry Canyon. What is the vertical distance between the two formations?

A The vertical distance is approximately 1800 feet. We have set a cast iron bridge plug at 8500 feet and we have four sacks of cement on -- above it. It establishes isolation between the Bone Springs and our producing, currently producing Cherry Canyon formation.

Q Have you made a search to determine whether or not there are any other wells in a two or three

mile radius of the discovery well that produce from the Cherry Canyon formation?

A Yes, I have, and --

Q And what have you found?

A -- there are none.

Q There are none?

A There are none.

Q Let's turn now, sir, to Exhibit Number Seven and have you identify that exhibit for us.

A Exhibit Number Seven is the production table showing daily tests for several consecutive days.

Q Do you have complete -- do you have production tests on the Cherry Canyon completion in this well? Your initial potential for the well was what, sir?

A Oh, the initial potential was 263 barrels of oil per day, 182 barrels of water a day, 230 MCF per day based on a 24-hour test.

Q What was your gas/oil ratio?

A 875-to-1.

Q Subsequent to the initial potential test, have you conducted other tests to establish a staiblized producing rate for the well, that well?

A Yes. Because of limited oil storage space, we were not able to produce the well at the maximum rate for an extended period of time, but during the first

month of production the well stabilized at a rate of about 220 barrels of oil a day, pumping 80 percent of the time.

We have since reduced our pumping rate to as low as 5 percent of the time in order to maintain our current allowable.

Q Does this well have the ability to produce volumes of oil in excess of a 40-acre allowable?

A Yes, it does.

Q What would be the discovery allowable for the well if the application is approved, Mr. Savage?

A The total bonus allowable would be 34,025 barrels of oil to be produced over a two year period at a rate not to exceed 268.53 barrels of oil per day.

Q All right, what's the total discovery bonus allowable again?

A 34,025 barrels of oil over a two year period.

Q And that is allocated on the basis of 268.55 barrels of oil. Okay.

In your opinion, Mr. Savage, is it likely that the Cherry Canyon in your discovery well could be in the same reservoir as the nearest Cherry Canyon well 5-1/2 miles to the northeast?

A Based on my knowledge and experience as a petroleum engineer, I would say that it's impossible that

the Delaware production to the northeast is in the same reservoir as the Bell Lake Unit No. 11.

Q Have you made a study in order to reach an opinion with regards to the appropriate temporary spacing to establish for the discovery well?

A Yes, I have.

Q And what is your opinion?

A My recommendation is 80 acres.

Q All right, let's turn to Exhibit Number Eight, Mr. Savage, and have you identify this exhibit.

A Exhibit Number Eight is a porosity gamma ray log showing the strip log from this well with the top of the Cherry Canyon marked, the producing interval within the Cherry Canyon from 6805 to 6840, showing our perforated interval from 6805 to 6810, and also showing the bottom of the Cherry Canyon formation at 8,072 feet.

Q Would you identify for the Examiner the net thickness of this zone plus the porosity value that you've used in subsequent engineering calculation?

A The net thickness is 35 feet and the average porosity is 14-1/2 percent.

Q Have you caused pressure tests to be run or pressure information to be compiled on the discovery well by which you could make certain engineering calculations to determine an area of drainage for the well?

A Yes, we have.

Q Let's turn to Exhibit Number Nine, Mr. Savage.

A The well was shut in on March 29th so that we could measure the pressure response of the reservoir, indicating among other things the drainage area of this well.

During the early life of a reservoir this is the best method for obtaining this information.

Exhibit Number Nine shows the recorded pressure data. The important part of this curve is the late time region, which is shown on the X axis from a log time of about .5 to .6. This is when all the wellbore and skin effects have died out and the pressure curve is stabilized, allowing for the reservoir properties to be displayed.

Q When we look at the X axis on the exhibit and find that log time interval from .4 to .6, could you give the Examiner what that corresponds to in clock hours?

A That corresponds to clock hours approximately 85 to 106 hours.

Q And after the well has been shut-in for that length of time you have seen the, from the pressure build-up test, you have seen the pressure become more stable?

A Yes, we have.

Q Okay, what then do you do with the information on Exhibit Number Nine?

A Well, if I could refer you to Exhibit Number Ten --

Q All right, sir, let's do that. Let's turn to Exhibit Number Ten and have you identify that exhibit.

A Exhibit Number Ten is a diagnostic method used during a pressure test evaluation to show when the pressure response of the reservoir has stabilized.

When stabilization occurs this graph will show a leveling horizontal trend, similar to the line that I have added; however, as you can see, the curve is not yet displaying this character, indicating that we are still approaching radial flow.

Q Describe for us what the implications are of having not yet reached a stabilized pressure value for the discovery well.

A The implications are that we are not currently seeing only the reservoir characteristics. They are still being masked by after flow or wellbore storage or skin effects in the near wellbore vicinity.

Q By using the available pressure information and your engineering calculations, will the use of the current information without the stabilized flow cause you to

be more optimistic or more conservative in your drainage calculation?

A It will cause a conservative estimate of the drainage calculation.

Q With further build-up information or pressure information that eventually leads to stabilized data upon which you can make more accurate calculations, with that information what do you anticipate to occur as a result of making those calculations?

A I anticipate that the radius of drainage that we will calculate from that new data will be greater than what we have shown here.

Q Using the available data and the more conservative methodology for analyzing the radius of drainage, can you next show us what you then did?

A Yes. Referring to Exhibit Number Eleven, it is the same type of graph as Exhibit Nine except that it displays only the late time data.

Since radial flow was not reached by the end of the test, the straight line region shown on the graph will yield a conservative estimate; therefore, with the available information gained from this test, we believe that the drainage radius of this well is at least 644 feet and probably greater than 731 feet, representing 38 and 49 acres of drainage, respectively.

Q Do you have other data which you have compiled to show us what we might anticipate to be the area of drainage as we develop more information from the discovery well?

A Yes, I do. To continue on to Exhibit Twelve, this exhibit shows a tabulation of results of material balance calculations performed with the three available reservoir pressure points.

Q Help us understand the exhibit by simply orienting us to the information displayed before we stop and talk about the details.

A Okay. The top part of the table is basically a listing of the available information as far as pressure data and production tests. If I could draw your attention to the far upper righthand corner, a listing of the original oil in place calculations based on the three different pressure points. In addition to that a calculation of the areal extent that would be occupied by that original oil in place.

Q Let's look at the far upper left, it says "pressure", psig. Describe for the Examiner the data upon which those three pressure points were developed.

A The first pressure, 3195 psi, was obtained upon completion of the well.

The second pressure, 3,020, was obtained

after about a month's production from the well.

And the final pressure, 2926, was obtained from the pressure build-up test that we just recently discussed.

Q Based upon those assumptions and parameters, then, you have calculated original oil in place for the reservoir of 751,294 barrels of oil?

A That's correct.

Q And you have identified then within that area an areal extent for the reservoir of approximately 58 acres.

A That's right.

Q And it is these numbers that will increase. You anticipate that areal extent to increase with subsequent pressure information?

A Yes, I do.

Q Is there anything else you want to direct our attention to on Exhibit Number Twelve?

A No, there is not.

Q All right, let's turn to Exhibit Number Thirteen and have you identify and describe that exhibit.

A Exhibit Number Thirteen is a tabulation of the fluid properties used in the material balance calculation. I've provided this for your information.

Q And then finally let's go to Exhibit Num-

ber Fourteen, Mr. Savage.

A Exhibit Number Fourteen shows sample calculations used during the material balance procedure. It again is provided for your information. I might direct your attention to the final calculation, the calculation of required drainage area.

If I take the original oil in place calculated from material balance, (not understood) for the area 58.6 acres of drainage is obtained, and then if I back calculate a radius of drainage for that area, I come up with 799 feet. Again that is slightly more than what was indicated by the pressure test, again indicating that the numbers obtained from the pressure test are reasonable.

Q In your opinion, Mr. Savage, using conservative engineering parameters and within the terms and conditions of the material balance calculation, you believe that the area affected by the subject well is approaching, if not exceeding, 58.6 acres.

A Yes, that's right.

Q In your opinion, Mr. Savage, as an engineer, what would you recommend to be the appropriate spacing pattern to establish initially for the discovery well?

A Based on the information that we have available to us at this time, we believe that our request for 80 acres is justified.

Q In the absence of establishing an 80-acre spacing for the discovery area, and having to continue on statewide 40-acre spacing, what is your concern about the drilling of additional wells?

A If the material balance calculations are correct and if our pressure data is correct, we would not find it economic to drill an additional well to develop 58.6 acres, or the remaining 58.6 acres.

Q Do you have an opinion as to whether or not the second well, in other words, having two wells on a 40-acre tract, whether that second well would be an unnecessary well?

A It would be unnecessary.

Q In your opinion the original well would be adequate by itself to develop and drain the reservoir.

A That's correct.

Q All right, sir. Let's go through now that we've presented your testimony, Mr. Savage, and make sure that we have covered the points upon which you're making your request.

Identify for us the proposed name that you want to utilize for the pool.

A Bell Lake Cherry Canyon.

Q And this would be on 80-acre spacing?

A That's right.

Q And then the discovery well will be the Bell Lake No. 11.

A That's correct.

Q And then the effective discovery date for the pool rules will be February 12th, 1987.

A Yes, that's correct.

Q In addition you need approval of the discovery well as an unorthodox well location.

A That's correct.

Q All right, sir, were Exhibits Five through Fourteen prepared by you or compiled under your direction and supervision?

A Yes, they were.

MR. KELLAHIN: That concludes my examination of Mr. Savage.

We move the introduction of Conoco Exhibits One through Fourteen.

MR. STOGNER: Exhibits One through Fourteen will be admitted into evidence.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Savage, if, after a year's period you come back in and you find that these parameters haven't changed, do you think it would be in the best interest to

remain on 80 acres, or change it to 40-acre spacing?

A Remain on 80 acres.

Q Okay. Now if a well is only able to drain 56 acres, and you're on 80-acre spacing, would that not cause waste by having approximately 30 acres not being produced, or 25?

A The terms of waste must be considered as either economic or in terms of oil volume. Our calculations that we've presented today show that there are only 58 acres of oil volume present.

Q Now you mention that you anticipate with more pressure data, you're anticipating that the radial flow will probably increase? Did I understand you right in your testimony?

A Yes. I believe that the time to radial flow is longer than we left the bombs in the hole; however, the period that we did leave them in the hole was long enough for us to establish these minimal radius of drainage distances.

In the future, when we obtain more pressure points, we will know to leave the bombs in longer in order to obtain this radial flow period so that we can make more accurate calculations.

Q How do you propose to -- well, let me rephrase that.

Do you plan to run any more bomb tests in this thing?

A Yes, I sure do.

Q Between now and the end of the year?

A Yes.

Q When the Bone Springs formation became uneconomical and Conoco moved up the hole to test the Cherry Canyon, was it -- as it been Conoco's intent all along to test the Cherry Canyon in this area or was this one of the last minute decision or --

A Well, I guess you would call it a last minute decision.

Q One that paid out, it appears.

Let's refer now to the log, which is Exhibit Number Eight, and with this, let's talk about your discovery allowable. You mentioned you wanted 34,025 barrels discovery allowable? Is that correct?

A Yes, I believe that's right.

Q Now that's obtained by taking the depth of the well and multiplying it by five?

A Yes.

Q Okay. When I'm double checking your figures there, I come up with you used the -- let me rephrase that.

Did you use the Kelly bushing depth or

the ground level depth to figure --

A I used the Kelly bushing depth.

Q Okay. And do you know what that Kelly bushing, the difference between the Kelly bushing and ground level is?

A 12 feet.

Q 12 feet.

A So that makes a difference of 60 barrels over a two year period.

Q I believe the normal practice is to use ground level.

A Okay.

Q So I'll take that into account.

What well next to you anticipate will be completed in the Cherry Canyon in this particular pool?

A I've begun evaluation on the Bell Lake Unit No. 12, located to the northeast of this well, and it, completion in this well will help us to further evaluate this reservoir.

Q Is that one presently producing from the Bone Springs?

A Yes, it is.

Q Do you propose to abandon the Bone Spring or dual complete it?

A To abandon it.

MR. STOGNER: I have no further questions of Mr. Savage.

Are there any other questions of Mr. Savage?

If not, he may be excused.

Is there anything further in Case Number 9117?

This case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY 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 this 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. 9117, heard by me on 8 April 1987.

Examiner
Oil Conservation Division