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

25 May 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of TXO Production Corp. for directional drillingand unorthodox oil well locations, Lea County, New Mexico. CASE 9383

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Charles E. Roybal
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. STOGNER: We'll call next Case 9383.

MR. ROYBAL: Case 9383, application of TXO Production Corporation for directional drilling and an unorthodox well location, Lea County, New Mexico.

MR. STOGNER: At the applicant's request, Case Number 9383 will be continued to the Examiner's Hearing scheduled for June 8th, 1988.

(Hearing concluded.)

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. 9383, heard by me on 25 May 1988.

Michael E. Stogner, Examiner
Oil Conservation Division

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

8 June 1988

EXAMINER HEARING

IN THE MATTER OF:

Application of TXO Production Corp. for a unit agreement, Lea County, New Mexico.	CASE 9382
and	
Application of TXO Production Corp. for directional drilling and unorthodox oil well locations, Lea County, New Mexico.	9383

BEFORE: David R. Catanach, Examiner

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

For the Applicant: Chad Dickerson
Attorney at Law
DICKERSON, FISK & VANDIVER
Seventh & Mahone/Suite E
Artesia, New Mexico 88210

I N D E X

E X H I B I T S

E X H I B I T S CONT'D

MR. CATANACH: Call next Case 9382.

MR. STOVALL: Application of TXO Production Corp. for a unit agreement, Lea County, New Mexico.

MR. CATANACH: Are there appearances in this case?

MR. DICKERSON: Mr. Examiner, I'm Chad Dickerson of Artesia, New Mexico, on behalf of TXO Production Corp.

I have three witnesses and if you would not mind calling 9383, I think we can consolidate those cases and shorten the time. They both involve the same lands.

MR. CATANACH: Very well, we'll call Case 9383 at this time.

MR. STOVALL: Application of TXO Production Corp. for directional drilling and unorthodox oil well locations, in Lea County, New Mexico.

MR. CATANACH: Are there any other appearances in either of these cases?

Will the witnesses please stand and be sworn in?

(Witnesses sworn.)

RICHARD COATS,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Coats, will you state your name, your occupation, and by whom you're employed, please?

A My name is Richard Coats. I am a landman with TXO Production Corp.

Q Mr. Coats, you have not previously testified before this Division, have you?

A No, I haven't.

Q Will you briefly for the Examiner summarize your educational and employment background for him?

A Yes. I graduated from the University of Texas with a business degree in finance and I've worked the last four years with Texas Oil & Gas as a landman.

Q And do part of your responsibilities as a landman for the applicant involve southeastern New Mexico?

A Yes, they do.

Q And are you familiar with the applications TXO has filed in these two cases and with the

surrounding acreage situation?

A Yes, I am.

MR. DICKERSON: Mr. Catanach, I move the admission -- or that you accept this witness' qualifications as a landman.

MR. CATANACH: Yes, sir.

Q Mr. Coats, will you refer to what we have submitted as TXO Exhibit Number One, or before we do that, let me ask you to briefly state the purpose of TXO's application in Case 9382.

A In Case 9382 we would seek the State's approval to form a unit agreement covering the east half of Section 36.

Q And what is the purpose of TXO's application in Case 9383?

A To directionally drill, re-enter and directionally drill a well in an unorthodox location within the unit area.

Q Under two stated alternatives.

A Right.

Q Okay, Mr. Coats, refer to what we've submitted as TXO Exhibit Number One and orient the Examiner with respect to the location of your proposed unit area and your directionally drilling operation.

A Okay. The proposed unit area would be

the east half of Section 36, Township 11 South, Range 37 East, Lea County.

We propose to re-enter the Skelton Oil Company Phillips State No. 1 Well, which is in the northwest quarter southeast quarter of Section 36, and directionally drill after we're re-entered the well to a location in the Devonian formation with the proration unit being the southwest quarter northeast quarter.

Q And that proposed well to be entered is denoted by the red circle on your map?

A Yes, it is.

Q If that proposed operation proves impractical, what does TXO anticipate doing to test your objective?

A Well, if that proves impractical, we propose to re-enter or utilize the wellbore for the Apache Corp. Heyco State No. 1 Well in the southeast quarter of the northeast quarter of 36 and directionally drill that well to a point -- to the same bottom hole location as the -- the re-entry and directionally drilling of the Skelton Oil Company Phillips State No. 1 Well.

Q Okay. Mr. Coats, identify for us what we have submitted as TXO Exhibit Number Two.

A TXO Exhibit Number Two is the unit agreement filed with the State Land Office.

Q And this is the standard form of unit agreement required for all State units within the State of New Mexico?

A Yes, it is.

Q And state for us again, Mr. Coats, the proposed unit area and what that acreage consists of, the nature of that ownership.

A Okay. The proposed unit area again consists of the east half of Section 36. It is comprised of two leases, one being the northeast quarter, covering the northeast quarter, and the other covering the southeast quarter.

The ownershp is 75 percent TXO, 25 percent Sam Pfiester. All the leasehold, the overriding royalty interest, and the net revenue interest or the royalty interest are owned in exactly the same proportions in both tracts.

Q And both tracts, did you say, are State of New Mexico oil and gas leases?

A Yes, they are.

Q Mr. Coats, refer to paragraph two on page two of the form unit agreement and tell us what substances are proposed to be unitized under this agreement.

A We propose to unitize all substances.

Q And all formations.

A And all formations.

Q Okay, refer to paragraph 8 on page 4 of the unit agreement and briefly describe the time frame within TXO -- within which TXO proposes to conduct your operations on the initial test well.

A We'd originally asked for 180 days but -- on this with the State Land Office, but the State Land Office requested that we keep the period of time we have to commence our operations at 60 days, which is fine with us.

We propose to drill the well down to the Devonian formation at a depth of approximately 12,500 feet.

Q And the Devonian formation is TXO's principal objective in the well?

A Yes, it is.

Q How does the unit agreement provide for participation and sharing of costs by the working interest owners?

A Sam Pheister will be responsible for 25 percent of the cost and TXO will be responsible for 75 percent of the cost.

Q So under paragraph 10 on page 6 of the unit agreement the costs and benefits are borne in proportion to the underlying ownership of the working interest parties.

A Yes, they are.

Q Okay, and how is production from -- of unitized substances from the unit area to be allocated under paragraph 11 on page 6?

A It would be allocated on a surface acre basis with the working interest, overriding royalty interest and royalty interest all being common in both wells.

Q Okay. Mr. Coats, briefly refer to your Exhibit B attached to the unit agreement and describe for us the information which is tabulated on that Exhibit B.

A As you can see, each of the two leases is represented and described on here. We have B-2188 and B-2189, State of New Mexico as the -- owns the minerals under both the tracts. Sam Pfeister is the lessee of record. The overriding royalty interest owners are common, as are the working interest owners in both tracts.

Q And so TXO has 100 percent of the working interest in the entire unit area committed to your proposed unit?

A Yes, sir, we have.

Q And because of the common ownership it makes no difference as to the location of the unit well. All costs, expenses and revenue derived will be borne in the same manner regardless of the well's location?

A That's correct.

Q Okay. Refer, Mr. Coats, to what we've submitted as TXO Exhibit Number Three and very briefly state for us what that instrument consists of.

A TXO Exhibit Number Three is a Model Form Operating Agreement 610, 1982 version. It consists -- it's basically a standard operating agreement with slight modifications and we propose that this unit operating agreement govern our operations within the unit area.

Q And does Exhibit B to your unit operating agreement allocate costs and benefits to the parties to the joint operating agreement in the same manner as does the unit agreement?

A Yes, it does.

Q Identify for us what we have submitted as Exhibit Number Four, Mr. Coats, tell us what that is.

A Exhibit Number Four represents our preliminary -- we have requested preliminary approval from the State Land Office to form a unit area consisting of the east half. We have received the preliminary approval with one change, being the commencement date being changed from 180 days to -- back to the 60.

MR. DICKERSON: Mr. Catanach, I might say that the unit agreement submitted to you as Exhibit Number Two does not yet reflect the change but it will prior to our submission of that agreement for final

approval to the State Land Office.

Q Mr. Coats, were Exhibits One, Two, Three and Four compiled by you or under your direction and supervision?

A Yes, they were.

MR. DICKERSON: Mr. Catanach, move admission of TXO Exhibits One through Four and I have no further questions of Mr. Coats.

MR. CATANACH: Exhibits One through Four will be admitted as evidence.

CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Coats, were the two subject wells, they were drilled by other companies, weren't they?

A That's correct, uh-huh.

Q And you picked up this lease after -- after these wells were abandoned or plugged?

A Yes, the well in the -- we propose to re-enter initially, the Skelton Oil Company Phillips State No. 1 Well, was drilled and abandoned initially in 1958.

The Heyco State Well in the southeast quarter of the northeast quarter is currently temporarily abandoned. It has not been plugged.

Q And the record owner on that well is

Apache Corporation?

A That would be correct.

MR. DICKERSON: Mr. Catanach, I might say that the last forms filed with your Division relating to that well were Apache Corporation, which was evidently the operator under the terms of the previous oil and gas lease, which has now expired.

The current leases described in Exhibit B to the unit agreement were issued to Mr. Pfeister on February 1st, 1986, I guess it was, or '87.

MR. CATANACH: So under the terms of the new lease will TXO just take over ownership of the well, just --

MR. DICKERSON: I think that our statutes in general case law provide, Mr. Catanach, that an operator of an oil and gas well on a lease which expires, has a reasonable time to remove his equipment and personal property from it. As I understand the situation relating to that Apache Well, it has no surface equipment located with it. It consists of a hole in the ground without any rods, pumpjack or anything, production equipment relating to it at this time.

CROSS EXAMINATION

BY MR. STOVALL:

Q Just one -- one question as a matter of clarification. The unitized substances you've identified as all substances, I assume you mean all hydrocarbon --

A Yes, sir. That's correct.

Q -- substances.

MR. CATANACH: I think that's all we have of the witness at this time. He may be excused.

GREG WILSON,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Wilson, will you state your name, your occupation, and by whom you're employed please?

A My name is Greg Wilson. I'm a geologist for TXO production Company in Midland.

Q And, Mr. Wilson, have you previously testified before this Division or one of its examiners and are your credentials a matter of record?

A Yes, they are.

Q And have you made a study of the available geological data in relationship to the proposed unit

area and the -- TXO's principal objective in these cases and are you familiar with that data?

A Yes, I am.

MR. DICKERSON: Tender Mr. Wilson as an expert petroleum geologist, Mr. Catanach.

MR. CATANACH: He is so qualified.

Q Mr. Wilson, will you refer to what we have submitted as TXO Exhibit Number Five and tell us what you show on that map?

A This is a production map showing the production surrounding our proposed unit. In Section 31 and Section 6 in the lower righthand side of the map the wells that are colored blue are Devonian producers. This is -- these are some wells in the Gladiola Field. Production ranges from 388 to over 800,000 barrels per well.

In the central part of the map, in Section 36, there's a well that's colored blue, the Apache Corporation Heyco State No. 1, which produced 21,000 barrels of oil from the Devonian plus over 300,000 barrels of water.

And that's just about everything on the map.

Q Okay. Identify what we have submitted as TXO Exhibit Number Six and tell us what you show on that

map.

A This is a structure map mapped on the top of the Devonian formation.

What this shows is again in the lower righthand side of the map, the green area is the productive area within the Gladiola Field.

The estimated oil/water contact is a subsea of 8170 feet, which is shown at the bottom right.

Moving to the center of the map is our proposed re-entry with our bottom hole location.

The Apache Corporation Heyco State penetrated the Devonian at 8252 feet and from the well information we believe they had about an 8-foot oil column, so our estimated oil/water contact there was at 8260. What this shows is that we are on a separate feature from the Gladiola Devonian Field. The lowest production in the Gladiola Field was above 8200 feet. Our oil/water contact is at 8260 subsea.

We have a fault running approximately northwest southeast which passes close to the Arlo Humble State No. 1-C. It was originally drilled by Arlo and later owned by Skelton.

And it shows our bottom hole location. There's also a cross section labeled A to A' running approximately east to west from the H. E. Yates Gladiola Unit in

Section 36 to the May Petroleum Wallace No. 1-31 on the far right side. That would be A'.

Q So it would be fair to summarize that this map shows that your Devonian objective is bounded on the west primarily by your fault and on the east by the anticipated oil/water contact?

A That's correct. Also shown on here we have two seismic lines. The one that's of interest is Line 17, running from the southwest to the northeast and crossing through our proposed bottom hole location.

This seismic line suggests that we can gain 35 to 50 feet of structural advantage over the Apache Corporation Heyco State, which was the marginal Devonian producer.

Q Okay, Mr. Wilson, identify what we have submitted as TXO Exhibit Number Seven and tell us what you show on that cross section.

A This is the cross section which is labeled A to A' on Exhibit Number Six. The -- the two wells on the far right are in the Gladiola Devonian Field, again showing our estimated oil/water contact at 8170 subsea. It depicts a fault separating the Gladiola Field from our proposed bottom hole location. The well in the center, the third from either end, is the Apache Heyco State 36 No. 1. This well DST'ed about the top 6 feet of the Devonian and

recovered 100 barrels of oil with 15 barrels of water, which suggests that they were just into and maybe at the oil/water contact when they ran that DST. A subsequent DST run at a lower interval from 12,164 to 12,198, recovered about 100 percent water, very little show, which suggests they were just at or mostly below the oil/water contact. That's what we based our estimated oil/water contact on.

They perforated this well, the -- it's the third set of perforations shown, in the top 2 feet of the Devonian and it was flowing 100 percent oil, which suggests they were in the oil column above the oil/water contact.

They later put the well on pump and it started producing a large quantity of water and it subsequently went to 93 to 95 percent water, which suggests that they were at the oil/water contact.

Our bottom hole location is depicted just to the left of the Heyco Well and it simply shows that we believe we can get 50, 35 to 50 feet up-dip to the Heyco State Well.

Q Is that proposed target location in the Devonian in your opinion the best location within the northeast quarter of Section 36 for a Devonian test?

A Yes, it is.

Q Is there anything else you'd like to add

about that exhibit. Mr. Wilson?

A Only that the far left well did not penetrate the Devonian. I have an estimated Devonian top on Exhibit Number Six, the Devonian map, which is just extrapolated down from the top of the Mississippian, but it is moving down dip from the Mississippian from the Ralph Lowe Well, so we assume the Devonian is also moving down dip.

Q Okay, Mr. Wilson, identify what we have submitted as TXO Exhibit Eight and tell Mr. Catanach what you show on that map.

A This is a map of the -- a structure map on the top of the Upper Wolfcamp pay from the Gladiola Field. There is no production shown on this map; none of these wells produce from the Wolfcamp. The Wolfcamp production over the Gladiola Field is somewhat sporadic; it's very patchy, and it's difficult to predict in some cases. Our proposed bottom hole location, we believe, will hit at or near the crest of a Wolfcamp structure and there is some likelihood that Wolfcamp porosity could develop and we could have production from the Wolfcamp formation.

Q Do I understand from your testimony, then, that the Devonian is your principal objective and the Wolfcamp would be a secondary objective?

A That's correct.

Q Are there any other anticipated productive zones in the wellbore or in the spacing unit that you propose to test?

A We don't anticipate any. The Wolfcamp and Devonian are the only formations that produce within the area.

Q Okay. Mr. Wilson, were Exhibits Five, Six, Seven and Eight prepared by you or under your direction and supervision?

A Yes, they were.

MR. DICKERSON: Mr. Catanach, move admission of TXO Exhibits Five, Six, Seven and Eight, and I have no further questions of Mr. Wilson.

MR. CATANACH: Exhibits Five through Eight will be admitted as evidence.

CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Wilson, what would be the closest Wolfcamp production in this area?

A Approximately 3 miles southwest, 2-1/2 to 3 miles; mainly over the south end. Pardon me? I'm sorry, southeast. Thank you. So it would be 2-1/2 to 3 miles southeast, not southwest; mainly over the central and lower, southern portion of the Gladiola Field.

Q Okay, was your testimony that the Heyco State No. 1 was -- that that was completed in the Devonian?

A Yes, it was.

Q And it produced how much?

A 21,269 barrels of oil, and about 311,000 barrels of water.

Q It finally watered out?

A Yeah, they -- their first month's production they were making 93 percent water and it moved up from there until they went to just about all water. It was no longer economic.

Q Whichever well you eventually use, those will be located at the same bottom hole location, is that correct?

A Yes, that's correct.

MR. DICKERSON: The Devonian is the same, Mr. Catanach. The Wolfcamp that comes from a different point is slightly different.

Q Anticipate that you are going to be in a different structure than the Gladiola Devonian, is that correct?

A In the Devonian I believe we're on a separate closure. There seems to be a -- as I mentioned, about 100 feet difference in the oil/water contacts. The

lowest production in the Gladiola Field is at about 8170 feet and that's where the estimated oil/water contact is at this end of the field.

The Apache Corporation Heyco State Well produced from 8252; that's 75 feet lower, which suggests that it is a separate closure in the Devonian.

Q But it's all in the same pool, is that correct? It's all considered to be from the same -- producing from the same pool?

A It's from the same formation. I think it would be considered a separate pool.

Q What -- what -- well, what was the -- what pool was the Heyco (unclear) producing from, what field? Was that -- it wasn't Gladiola Devonian?

A Offhand I don't know. I had that right here. Yeah, they did file in the Gladiola Devonian, but I think that was before it was established that it was a separate feature, or they didn't take that into consideration.

Q Okay. Well, that's -- that's really not your concern, though, I mean you're not requesting the creation of a new pool or anything like that. It can still be classified, probably, as the Gladiola Devonian.

MR. CATANACH: I think that's all we have. The witness may be excused.

GARY TRAVIS,

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

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Mr. Travis, will you state your full name, your occupation, and by whom you're employed?

A My name is Gary Travis. I'm a petroleum engineer with TXO Production Corporation in Midland, Texas.

Q And, Mr. Travis, you have previously testified before this Division as a petroleum engineer, have you not?

A Yes.

Q And are you familiar with the proposed drilling operations of -- by TXO in these cases?

A Yes.

MR. DICKERSON: Tender Mr. Travis as an expert petroleum engineer, Mr. Catanach.

MR. CATANACH: He is so qualified.

Q Mr. Travis, will you refer to what our Exhibit Number Nine and briefly summarize for us TXO's proposed re-entry of the Humble State Well?

A This document is TXO's proposed proce-

dure for the re-entry and directional drilling of the Humble State No. 1 Well or the Phillips State Well. That's the well located on your map in the southeast quarter -- in the northwest quarter of the southeast quarter of Section 36.

This outline describes the re-entry of the abandoned well, kicking off with the wellbore at approximately 6200 feet, and the directional drilling of the well to the Devonian at a location of 2100 feet from the north and 1550 feet from the east line.

This well will also intersect the Wolfcamp formation at approximately 1890 from the north line and 1289 from the east line.

This step-by-step procedure shows what type of downhole motor and what type of bottom hole assembly we plan to use to reach our target objective.

Q Okay, so that the record will be clear, Mr. Travis, would you state once again for us the target locations in both the Wolfcamp and the Devonian that TXO directs this well toward?

A The Devonian location will be 2100 feet from the north line and 1550 feet from the east line.

The Wolfcamp location will be 2570 from the north and 1604 from the east, I believe. I think I said -- I gave you the other location first.

Yes, that's right, 2570 from the north line and 1604 from the east line.

Q And you are seeking to come within 50 feet in any direction of those target locations?

A That's correct.

Q And a completion in either of those zones within 50 feet of those targets would result in a southwest quarter of the northeast quarter spacing unit, would it not?

A That's correct.

Q Okay, Mr. Travis, refer to our Exhibit Number Ten and tell us what you show on that picture.

A Exhibit Ten is a schematic of the existing wellbore of the Humble State C No. 1, with a brief history of the well in the top left corner.

It shows the 35-sack cement plug at 6226 to 6326, that we intend to use to kick off the well with the downhole motor and from that point drill directionally to the Devonian target.

It shows some junk in the borehole below where we intend to kick off, so we -- we don't anticipate any -- any major problems getting to that plug at 6226.

Q Okay, refer to our Exhibit Number Eleven, Mr. Travis, and tell us what you show by that instrument.

A Eleven is also a schematic of the Humble State C No. 1. This is what we hope the well will look like when TXO has completed the proposed procedure, and it's showing our bottom hole location and our Wolfcamp location 2570 from the north and 1604 from the east.

Q Okay, Mr. Travis, in the event TXO is unsuccessful in re-entering that well, refer to our Exhibit Number Twelve and briefly summarize for us what you propose to do as an alternate.

A Exhibit Twelve is a document detailing TXO's proposed procedures for the pulling of the casing at approximately 5600 feet, where we estimate the top of the cement to be, and then from that point setting a cement plug and coming off of that plug and drilling directionally to the -- to the Devonian, this approximate depth of 12,200 feet, and we intend to TD the well in the Devonian at the same location as the Humble State C would have been, 2100 feet from the north and 1550 feet from the east, and we also intend to drill through the Wolfcamp zone at approximately 1890 feet from the north line and 1289 feet from the east line in this wellbore.

Q So the spacing unit would remain as the southwest quarter of the northeast quarter in the event you make a Devonian well from -- in this proposed operation, but a Wolfcamp completion would put you in Unit H, the

southeast quarter of the northeast quarter, would it not?

A Yes.

Q Okay, refer to Exhibit Number Thirteen, Mr. Travis, and summarize the information shown on that page for us.

A Exhibit Thirteen is another schematic. It's the existing wellbore schematic of the Heyco State Well. It shows the estimated top of the cement where we intend to pull the casing and set a plug and kick the well off at that point.

Q Okay, identify Exhibit Number Fourteen for us and describe it.

A Fourteen is another schematic of what TXO intends the well to look like once we've completed the well.

It shows the kick off point at 5600 feet and the TD is --

MR. CATANACH: Excuse me, Mr. Dickerson, I don't have a Fourteen.

A Well, I'll start again.

Exhibit Fourteen is a schematic of what TXO intends the wellbore to to look like after we've completed operations.

It shows a kick off point at approximately 5600 feet and a TD at 12,200 feet.

Q Mr. Travis, what is the reason for TXO's proposed re-entry of one or the other of these two wells instead of simply drilling a vertical wellbore?

A We feel we can save the initial cost of surface casing, intermediate casing, cement, and have 5-to-6000 feet of hole already made for us by re-entering the well, and save a couple hundred thousand dollars by doing it this way.

Q Mr. Travis, in your opinion will the granting of TXO's applications in these two cases be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes.

MR. DICKERSON: Mr. Catanach, move admission of TXO Exhibits Nine through Fourteen and I have no further questions of Mr. Travis.

MR. CATANACH: Exhibits Nine through Fourteen will be admitted as evidence.

CROSS EXAMINATION

BY MR. CATANACH:

Q Mr. Travis, you've got two proposed re-entries. What problems do you foresee on re-entering the Apache or the Heyco Well? Do you see any problems that lead you to -- to apply for two wells?

A Well, initially we'd start with the Humble State C. We feel that risking each well over the cost of what you'd have to expend, you have to go with the well that you believe you're going to spend less, even when you put the risk into your -- into your dollars, and so that's why we want to start with the Humble State C.

Of course, the Heyco State, we wouldn't have any surface plugs to drill out and we could -- we feel we could pull casing and have a pretty clean well to go into, but there's always problems, you know, you can try and pull a casing, the formation has swelled around it, you may part the casing trying to pull it, you may have a fishing job. There's a lot of risk involved with both of them.

Q Okay, on both wells do you plan to run a survey initially at the kick off point to determine where you are, is that it?

A Yes, sir. We'll run a gyroscopic survey in the pipe and then we'll run a multishot from the kick off point back to surface in the open hole section, and we'll bring them both together and we'll know where we're starting from.

Q Okay, and you do -- and also at TD you're going to run another multishot survey?

A Yes, sir.

Q Mr. Travis, if you successfully complete

the Humble State No. 1, what are your plans for -- for the Heyco (unclear)?

A I have no plans for it.

Q Okay, it will probably have to be plugged and abandoned.

A That's correct. I guess there is some feasibility you could use it for a salt water disposal well if you get a high water cut. I've never looked at that. I'm just saying there is a possibility that we -- you'd be injecting back into a current waterleg, repressuring that formation.

Q Have you guys looked at what kind of reserves you may be -- recoverable reserves you may be looking at with a successful well?

A Yes, sir, I'm sure we have but I haven't done that.

(Thereupon a discussion was had off the record.)

MR. CATANACH: I think that's all we have. The witness may be excused.

Anything further in Case 9382 or 9383?

MR. DICKERSON: Nothing.

MR. CATANACH: If not, they 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 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. 9382, 9383 heard by me on June 8 1988.

David R. Catanach, Examiner
Oil Conservation Division