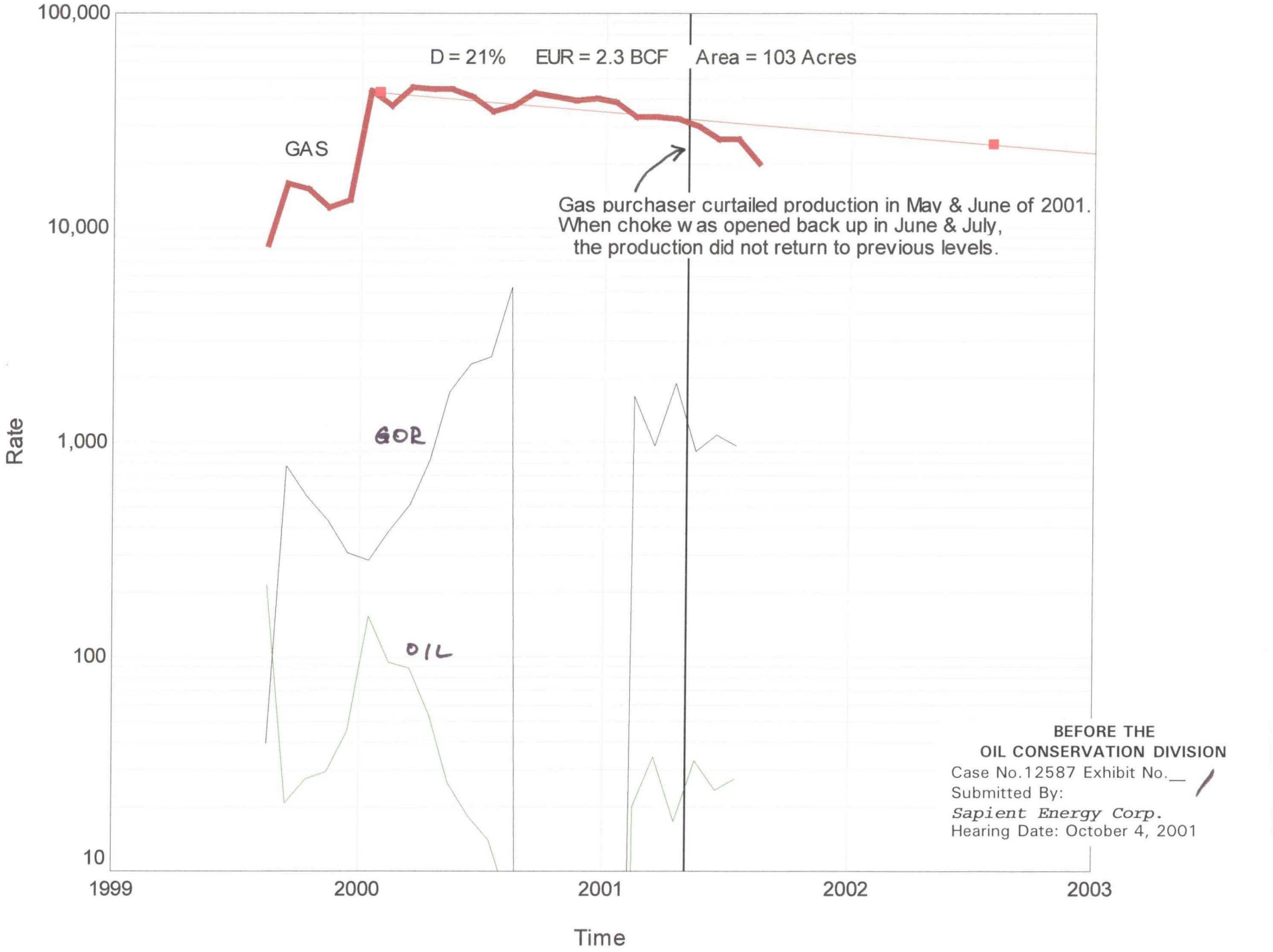
Bertha Barber 12 - Monument Field



BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12587 Exhibit No. 1
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

SAPIENT ENERGY CORP.

8801 S YALE, SUITE 150
TULSA, OKLAHOMA 74137

TELEPHONE 918-488-8988
FACSIMILE 918-488-8994

September 18, 2001

Mr. Tom Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, NM 87504
Fax: (505) 982-2047

RE: Barber # 12
Lea County, New Mexico

Dear Mr. Kellahin,

Pursuant to your request, I am writing a brief summary of the work that was recently performed on the Barber 12 well and to explain why Sapient believes it would be a mistake to shut this well in at this time.

In August Sapient suspected that the Barber 12 well had developing a scale and possible sand fill problem. We moved in a rig in late August to perform a workover to alleviate the suspected problems. After determining that some of the perforations were covered with frac sand we cleaned out the wellbore and removed the sand. We next pumped 2000 gallons of scale treatment plus diverter (rock salt) in an attempt to remove the scale problem. Unfortunately the scale treatment created more problems than it corrected and the well locked up such that it was unable to sustain a flow rate into the gas sales line.

It was initially thought that the diverter may have plugged off the perforations and was not allowing the hydrocarbons to flow into the wellbore. Therefore, fifty barrels of 2% KCl water were pumped in an attempt to dissolve the diverter. This treatment was not successful in establishing production. After running acid solubility tests with the fluid swabbed from the well it was determined that acid should help dissolve the damage and enable the well to clean up. We then pumped a combination of nitrogen gas with 2000 gallons of acid into the formation. After swabbing, the well kicked off flowing again. Since that time, the flow rate of the well has improved each day. It flowed 766 mcfd yesterday compared to 668 mcfd only one week ago and is still cleaning up. The attached report shows the detail work that was performed on the well.

Sapient believes that it would be a mistake to shut the well in as long as it is cleaning up and showing improvement. This well has proven its susceptibility to damage by the way it reacted to the first treatment. Shutting the well in now would allow the fluids and precipitates that damaged the well in the first place (and are now gradually coming out of the well as it cleans up) to remain in place and possibly create irreparable harm to the well.

Yours very truly,

P. K. Travis

Kyle Travis
President

ILLEGIBLE

Encl.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12587 Exhibit No. 2
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

EXHIBIT 2

BJ Barber # 12 **Monument Field**
Lea County, NM **API# 30-025- 05978**
Sec. 7,T20S,R37E

8/23/01-MIRU wireline to tag for fill (sand). Tag fill at 6383'. Perfs at 6364'-67', 6378'-89', 6410'-12, 6419'-25' (25 holes). Bottom 2 ½ sets of perfs covered. Will bail tomorrow. Rig down wire line. MIRU pulling unit. SDFN

Daily Cost-	JSL Wire line	850.00		
	EWS	300.00		
Daily Total		1150.00	Cum. Cost	1150.00

8/24/01-Open well. Rig up pump truck and pump 35bbls 2% KCL down tbg to kill well. Unflange well- install BOP- release pkr. Tally out of hole w/ tbg- lay pkr down. TIH w/ notch collar – check valve – 2 joints – check valve – 14 joints - pump – rest tbg. Tag at 6393' (10' deeper than wire line). Pump 20bbls water down csg and clean out to 6466'. The fill was very hard- the last 36' of bailing was easier. TOOH w/ tbg and bailer- lay all tools down (recovered 7 full joints sand.) TIH w/ half of tbg and secure well. SDFN BLWTR- 80bbls.
Note** - found scale in tubing at 5200'. Scale was calcium sulfate- not calcium carbonate as expected from water analysis. Calcium sulfate also found in surface equipment. Changed acid job to deal with calcium sulfate.

Daily Cost-	EWS	2200.00	
	Pate	1100.00	
	Watson	1550.00	bailer & redress pkr
	Don- Nan	350.00	tbg
	Sup.	500.00	
Daily Total		5700.00	Cum Cost 6850.00

8/24/01-Well open to flow line 12hrs Tbg- 180psi , Csg- 200psi. Pump 30bbbls down well- kill well. TIH w/ rest production string- NDBOP set pkr (model R). Flange well up. Rig up Petroplex- test lines to 4500psi-start job. Pump 1000 gallons X-25 – 500 pounds rock salt w/ 5bbls 10# brine – 1000 gallons X-25 – flushed w/ 20bbls 2% KCL. Tbg loaded after 25bbls- pump job with pressure increasing from 3500psi to 3760psi. and rate dropping from 4bpm to 1.6bpm. Very slight diversion action. ISIP 3520psi – 5min 3169psi – 10min 2794psi – 15min 2406psi. Rig down Petroplex. Leave well shut in. RDMO. BLWTR- 183

TBG STRING

2joints	2-3/8 x 61'
pkr	2-3/8 x 7'
SN	2-3/8 x 1'
198 joints	2-3/8 x 6261'

Daily Cost-	EWS	1100.00		
	Petroplex	8600.00		
	Pate	350.00		
	LFT	500.00		
	Sup.	250.00		
Daily Total		10,800.00	Cum. Cost	17,650.00

8/27/01- MIRU swab unit. Well shut in 38 hrs.-TBG vacuum- CSG- no pressure. IFL- 4400'
After 1 hr- Fluid level 4800' – recovered 14 barrels all water – vacuum after each run
After 2 hrs – Fluid level 5200'- 13 barrels all water- good gas blow- blackish and gray colored water.
After 3 hrs – fluid level 5700' – 10 barrels water – good gas blow- same type fluid
After 4 hrs – fluid level 6000'- scattered- 7 barrels water – kicked off flowing.
Well just barely flowing. Made one more swab run- fluid was scattered throughout the tubing - no fluid recovery. Shut in well for 45 minutes- pressure built up to 100 psi. Opened up down line. Sent crew home. Left flowing.
At 9pm tbg had 50psi flow rate of 80 mcf no fluid
At 11pm tbg had 50psi flow rate of 80 mcf no fluid
At 4am tbg had 80psi flow rate of 100mcf no fluid
At 6am tbg had 85psi flow rate of 150 mcf fluid coming in heads
139 BLWTR

Daily Cost-	EWS	1000.00		
Daily Total		1000.00	Cum. Cost	18650.00

8/28/01- Tbg 85psi-flow rate of 155mcf at 7 am. Flowed 2bbls over night- by 9am well not making any fluid or gas. Pick up swab- make run- dry- no fluid in tbg. (Had discussion on possibilty that salt diverter was blocking formation.) Wait on truck- hook up to tbg and pump 34bbls 2 % KCL water-hit pressure (tubing volume 24.5 bbls. – casing volume to top perf -.5 bbls – casing volume to bottom perf 1.5 bbls) Rate went from 3bpm to 1bpm at 900psi. After pumping 38bbls- rate 1bpm at 1000psi. With 40bbls gone- rate 1bpm at 1200psi. With 43bbls gone- rate .5bpm at 1500psi. Shut truck down. ISIP 1000psi- 2min on vacuum. Started pumping again- came back on at 1bpm 750psi. With 45bbls gone- rate 1bpm at 1500psi. With 47bbls gone- rate .5bpm at 1700psi. Shut truck down- ISIP 1400psi – 1min 900psi – 2min 500psi – 3min 200psi – 4min vacuum. Started pumping again -came back on at 1bpm 1500psi. With 50bbls gone -rate 1bpm at 1750psi. Shut truck down- ISIP 1600psi – 1min 1400psi – 2min 800psi – 3min 500psi – 4min 250psi – 5min vacuum. Rig truck down. Pick up swab IFL 200'
1st hour FL 3700' rec. 15bbls all water no gas
2nd hour FL 5000' rec. 11bbls all water no gas
3rd hour FL 5600' rec. 6bbls scattered fluid all water show gas

4th hour FL dry rec. 3bbls all water show of gas
1st hourly run 450' entry rec. 300' fluid all water
2nd hourly run 450' entry rec. 300' fluid all water
Leave well open down line SDFN
Note*** - we have damaged well bore. The damage seems to be about 8 barrels back in the formation. We are discussing issue with Petroplex and Champion Chemicals.

Daily Cost-	EWS	1500.00		
	Pate	400.00		
Daily Total		1900.00	Cum. Cost	20,550.00

8/29/01-Tbg- 20psi, Csg- 0psi - IFL 5500' scattered. Recovered 300' fluid. Wait 1 hour-make run- 200' scattered fluid -recovered 60'. Shut well in for 1 hour –tbg built to 450psi- blow down in 20min. Did not bring any fluid. Shut well in for 2hours after 2hrs tubing pressure built up to 665psi. Leave well shut in- RDMO.
Note ** - Working on clean up procedure potential re-frac or nitrified acid.

Daily Cost-	EWS	1100.00		
Daily Total		1100.00	Cum. Cost	21,650.00

8/30/01-SITP- after 26hrs 1100psi- Csg 0psi. Set test tank and lay flow line to tank. Open at 2pm- fast. Blew down in 5min to 10psi. Left open until 5pm- made 2bbls (caught sample-took to Champion) Shut well in.

Daily Cost-	Pate	400.00		
	Roberson	200.00		
Daily Total		600.00	Cum. Cost	22,250.00

8/31/01-SITP after 14hrs 1050psi- Csg 0psi. SITP after 20hrs -1060psi. Opened well - flowed 9bbls. After 2hrs went down to blow- shut well in.

9/1/01-SITP after 20hrs 1040psi. Blew down after 2hrs- flowed 4bbls. Pressure dropped to just blow- shut in.

9/2/01- SITP after 24hrs 1060psi. Open well -in 2.5hrs flowed 3bbls. Went down to just blow- shut well in.

9/3/01- SITP after 20hrs 1060psi. Open well -in 2hrs flowed 6bbls. Went down to just blow- shut well in. 118 BLWTR

9/4/01- SITP after 22hrs 1065psi. Open well down sales line on 20/64 choke. Well produced 8 hrs before it died. Produced 204 mcf. Shut well in at 5:30 pm. Well made no fluid. 118 BLWTR

9/5/01 – SITP after 16 hrs –1070psi. Open well to blow down tank. Recovered 2 barrels of grayish black water with an 8-10% oil cut. Well died in 3 hours. Caught samples of fluid for testing. The water sample is grayish black in color with the same viscosity as water. There are no visible solids in the water. However after three hours settling minute fines settle out in the bottom and along the sides of the sample jar at the oil water contact point. The water sample was divided into equal portions and mixed with 7 ½% HCL acid with 10% methanol and iron control agents and 15 % HCL acid with the same additives. The samples were mixed vigorously and allowed to set 30 minutes. Both samples cleaned up the grayish black water to a clear water and an oil phase. The 7 ½% sample had a 1%to 4% inter-phase between the oil and water. The 15% sample was clean with a very distinct break between the oil and water phases. Both samples had no fines left on the bottoms or the sides of the sample bottles. After some discussion it was decided to go ahead with a 2000 gallon 15% nitrified acid clean up job tomorrow. 116 BLWTR

9/6/01-SITP after 17hrs-1050psi. Open to tank blow down while rigging acid and N2 trucks up. Build high pressure well head to flow back with. Test lines to 6000psi load csg w/ 40bbls -test to 1000psi (ok). Start down hole; Stage 1- pump 37,500scf n2; Stage 2- pump- 48bbls 15% acid NEFE BF1 with 10% methanol and iron control agents foamed w/ 37,000scf; Stage3- flush w/ 38,000scf. Average pressure 3200psi, average fluid rate 2.5, average N2 rate 2250scf. ISIP- 3700psi 5min- 3148psi- rig down trucks- hook well head up. After 20min tubing pressure -2500psi. Open up on 10/64 choke- after 45min tubing 1450psi. Open choke to 16/64, after 40 minutes tubing pressure –500psi- fluid hit. Open choke to 18/64 - over the next 30minutes the well brought fluid in surges then died. Total fluid flowed back- 7bbls. MIRU pulling unit-prep swab- IFL 3300'- went to 5000'. Recovered 1800' fluid- well kicked off flowing- tried to make 2nd run- got down to 2000' and well flowing harder. Pull swab out- open to tank on 16/64 choke- start flowing at 250psi. 1st hr recovered 12bbls- tbg 125psi. Leave open to tank SDFN 116 BLWTR (From before)+ 52 BLWTR (today)-26 bbls. swabbed and flowed =142 BLWTR

Daily Cost-	MWS	700.00		
	Petro Plex	n/c		
	BJ Services	3750.00		
	Roberson	300.00		
	Don-Nan	800.00		
Daily Total		5550.00	Cum. Cost	27,800.00

9-7-01 – Well flowed all night to tank. Recovered 31 barrels of load water. Tubing pressure was 95psi on a 26/64 choke. Shut well in for ½ hr to disconnect from frac tank and hook into flow line. Pressure built up to 600 psi. Switched down sales line at 10:00 am. Started on open choke making 2bbls hour with the flow rate of 615mcf- after 2hrs pressure falling- choke back to 28/64. Pressure came back to 125psi still 2bbls hour. 111 BLWTR

Daily Cost- MWS 750.00

Daily Total 750.00 Cum. Cost 28550.00

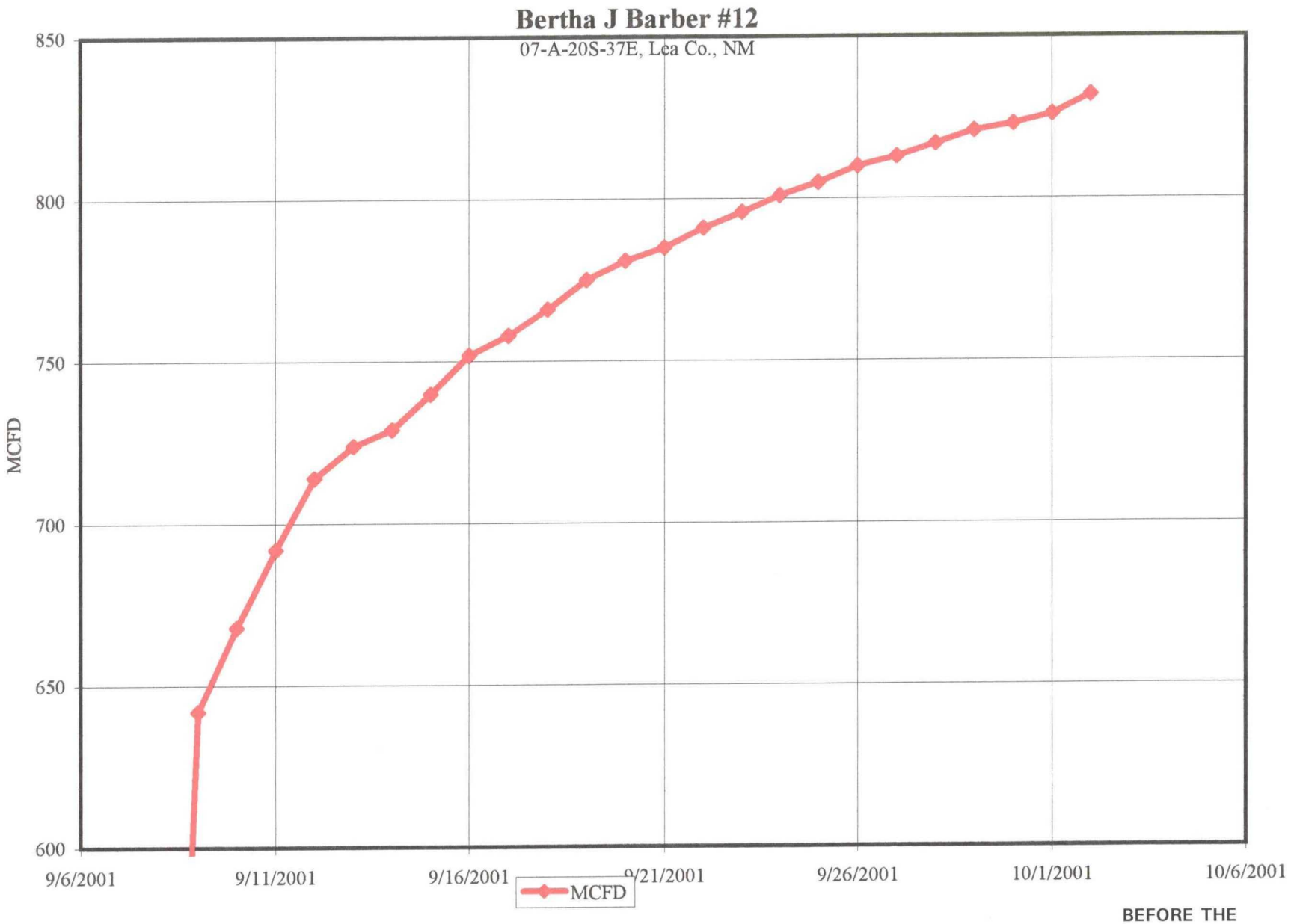
9/10/01- Well still flowing. RDMO

Daily Cost- MWS 400.00

Daily Total 400.00 Cum. Cost 28,950.00

Date	Oil	H20	MCF	BLWTR	Comments
9/8/01	1	15	364	96	14 hrs gas sales tbg-110 psi 28/64 choke
9/9/01	1	8	642	88	Tbg-100psi 28/64 choke – opened to 32/64 at 10:00 am
9/10/01	0	5	668	83	Tbg-95 psi 32/64 spot rate 695 mcfd
9/11/01	1	5	692	78	Tbg-80 psi 32/64 spot rate 721 mcfd
9/12/01	1	4	714	74	Tbg-80 psi 32/64 spot rate 721 mcfd
9/13/01	1	4	724	70	Tbg–85psi 32/64 spot rate 720 mcfd
9/14/01	1	4	729	66	Tbg–95 psi 32/64 spot rate764 mcfd
9/15/01	1	4	740	62	Tbg-90 psi 32/64 spot rate 750 mcfd
9/16/01	2	4	752	58	Tbg-95psi 32/64 spot rate 765 mcfd
9/17/01	1	4	758	54	Tbg 90psi 32/64 spot rate 767 mcfd
9/18/01	1	4	766	50	Tbg 90psi 32/64 spot rate 785 mcfd
9/19/01	1	4	775	46	Tbg 90psi 32/64 spot rate 787 mcfd
9/20/01	0	4	781	42	Tbg 90psi 32/64 spot rate 775 mcfd

9/21/01	1	3	785	39	Tbg 90psi 32/64 spot rate 785 mcfd
9/22/01	1	3	791	36	Tbg 90psi 32/64 spot rate 789 mcfd
9/23/01	1	3	796	33	Tbg 95psi 32/64 spot rate 810 mcfd
9/24/01	1	3	801	30	Tbg 95psi 32/64 spot rate 805 mcfd
9/25/01	1	3	805	27	Tbg 95psi 32/64 spot rate 814 mcfd
9/26/01	1	3	810	24	Tbg 95psi 32/64 spot rate 817 mcfd
9/27/01	1	3	813	21	Tbg 95psi 32/64 spot rate 807 mcfd
9/28/01	1	3	817	18	Tbg 95psi 32/64 spot rate 819 mcfd
9/29/01	1	3	821	15	Tbg 95 psi 32/64 spot rate 837 mcfd
9/30/01	1	3	823	12	Tbg 95 psi 32/64 spot rate 834 mcfd
10/1/01	1	3	826	9	Tbg 95psi 32/64 spot rate 847 mcfd
10/2/01	1	3	832	6	Tbg 95psi 32/64 spot rate 830 mcfd



BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12587 Exhibit No. 3
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

SAPIENT ENERGY CORP

BERTHA BARBER #12 (TUBB)
REVENUE HISTORY
8/99-CURRENT (1)

MONTH	PRODUCT	GAS VOLUME	OIL VOLUME	VALUE	TAX	NET	RI .125	NRI .875
Aug-99	GAS	8226	0					
Sep-99	GAS	15712	21					
Oct-99	GAS	14774	27					
Nov-99	GAS	12213	29					
Dec-99	GAS	13214	45					
Jan-00	GAS	42736	155					
Feb-00	GAS	36055	95					
Mar-00	GAS	44109	88					
Crosstimbers Subtotal		187,039	460					
Apr-00	GAS	43478		103,834.31	9,239.28	94,595.03	11,824.38	82,770.65
May-00	GAS	43478		109,204.71	9,717.14	99,487.57	12,435.95	87,051.62
Jun-00	GAS	40186		125,331.39	11,152.11	114,179.28	14,272.41	99,906.87
Jul-00	GAS	34256		109,510.16	9,865.23	99,644.93	12,455.62	87,189.31
Falcon Creek Subtotal		161,398		447,881	39,974	407,907	50,988	356,918
Aug-00	GAS	35979		99,635.78	8,975.69	90,660.09	11,332.51	79,327.58
Sep-00	GAS	41545		149,255.43	13,372.70	135,882.73	16,985.34	118,897.39
Sep-00	OIL		171.9	5,598.26	456.74	5,141.52	642.69	4,498.83
Oct-00	GAS	40236		161,740.31	14,491.29	147,249.02	18,406.13	128,842.89
Nov-00	GAS	38680		141,535.83	12,681.04	128,854.79	16,106.85	112,747.94
Dec-00	GAS	38925		195,950.01	17,556.35	178,393.66	22,299.21	156,094.45
Jan-01	GAS	37358		265,831.11	23,977.17	241,853.94	30,231.74	211,622.20
Feb-01	GAS	31987		158,272.80	14,275.73	143,997.07	17,999.63	125,997.44
Mar-01	GAS	31873		122,182.95	11,020.53	111,162.42	13,895.30	97,267.12
Apr-01	GAS	31590		117,413.87	10,590.38	106,823.50	13,352.94	93,470.56
May-01	GAS	29132		102,751.98	9,267.92	93,484.06	11,685.51	81,798.55
Jun-01	GAS	25324		68,683.94	6,195.09	62,488.86	7,811.11	54,677.75
Jul-01	GAS	25460		61,369.79	5,528.15	55,841.64	6,980.21	48,861.44
Jul-01	OIL		34.0	848.87	76.47	772.40	96.55	675.85
Sapient Subtotal		408,089	206	1,651,071	148,465	1,502,606	187,826	1,314,780
	Total	756,526	666	$2,098,952	$188,439	$1,910,513	$238,814	$1,671,698

(1) Revenue information prior to 4/00 not available.

BEFORE THE
OIL CONSERVATION DIVISION
Case No.12587 Exhibit No. 4
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

Sapient Energy Corp.
Financial Summary
October 3, 2001

	Dollars in Thousands
Total Book Assets	$82,700
Borrowing Base	$50,000
Outstanding Debt	$23,000
Unused Borrowing Capacity	$27,000

Operating Cash Flow

12 months ending July 31, 2001	$30,400

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12587 Exhibit No. 5
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

CONOCO WITNESSES (Continued):

Pg 130 2.8 BCF

* * *

ILLEGIBLE

BEFORE THE
OIL CONSERVATION DIVISION
Case No.12587 Exhibit No. 6
Submitted By:
Sapient Energy Corp.
Hearing Date: October 4, 2001

Stogner?

A. Yes, I am.

MR. CARR: Mr. Stogner, we tender Mr. Lowe as an expert witness in reservoir engineering.

EXAMINER STOGNER: Any objection?

MR. KELLAHIN: No, sir.

EXAMINER STOGNER: So qualified.

Q. (By Mr. Carr) Mr. Lowe, you've prepared exhibits for presentation today, have you not?

A. Yes, I have.

Q. Let's refer to what has been marked as Conoco Exhibit Number 3. Would you identify this and review the information on the exhibit for Mr. Stogner?

A. Certainly, it's is a production plot of oil, water and gas. And what I'll describe to you is, on the X axis, is the time line in years. The curves represented here in a solid bold with filled circles is the hydrocarbon liquid or oil. The dashed lines with stars is the gas production. And the thin line with open diamonds is the water production. I also have on here a dashed line with triangles representing the GOR of this well here.

What you see, obviously, is the completion in August of 1999, in the Tubb. We see here in December where the well was fracture-stimulated and saw significant increases in gas production. Along with that came some

ILLEGIBLE

water, but it quickly dropped off, as well as the oil. However, this production, coming from *Dwight's PI* and updated from the website of the OCD production through November, shows a fairly consistent decline of gas, an effective decline of 16 percent with a nominal decline of about 17.

Using this and using an economic limit of 50 MCF per day, which is fivefold higher than what was presented beforehand, shows a recoverable reserves of 2.8 BCF of gas.

Q. Let's go to what has been marked Exhibit Number 4, the plot, and I ask you to review this information.

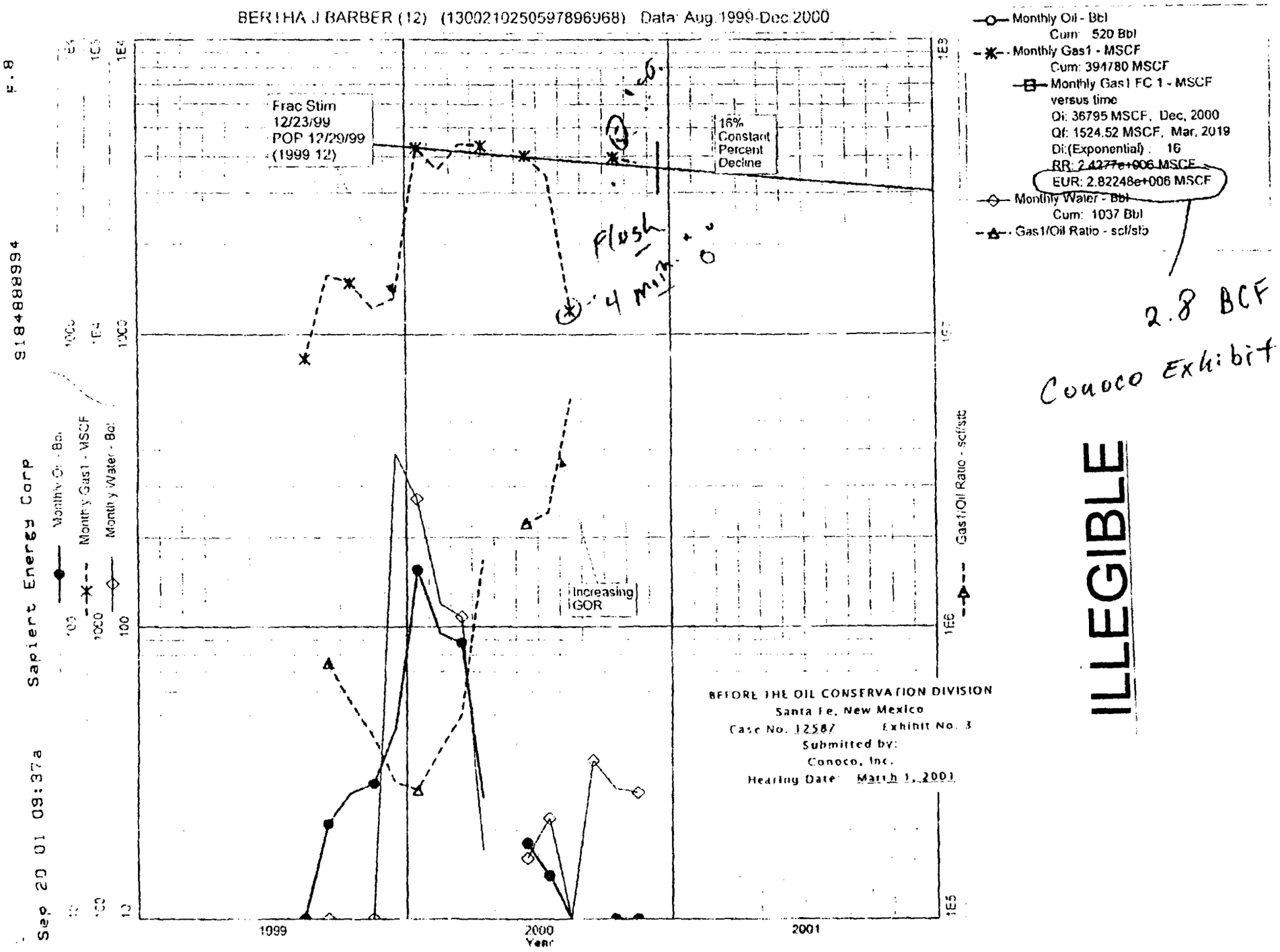
A. Okay. I did not know what the original pressure was in this particular well, and so using some of the knowledge base of Conoco in their production in the Tubb formation, I presented three possible scenarios of what the initial pressure might be.

What we show here on this graph, at the very bottom, is the estimated ultimate recovery. On the left-hand side is a computed drainage radius.

And you'll see three lines on the graph. The blue line represents an initial pressure of 2462, and that was computed from a pressure gradient that is typically seen in the Tubb, which is 0.385 p.s.i. per foot.

I then looked at it from the standpoint of possible depletion that may have occurred. Referencing

ILLEGIBLE



2.8 BCF

Conoco Exhibit

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12587 Exhibit No. 3
Submitted by:
Conoco, Inc.
Hearing Date: March 1, 2001

ILLEGIBLE

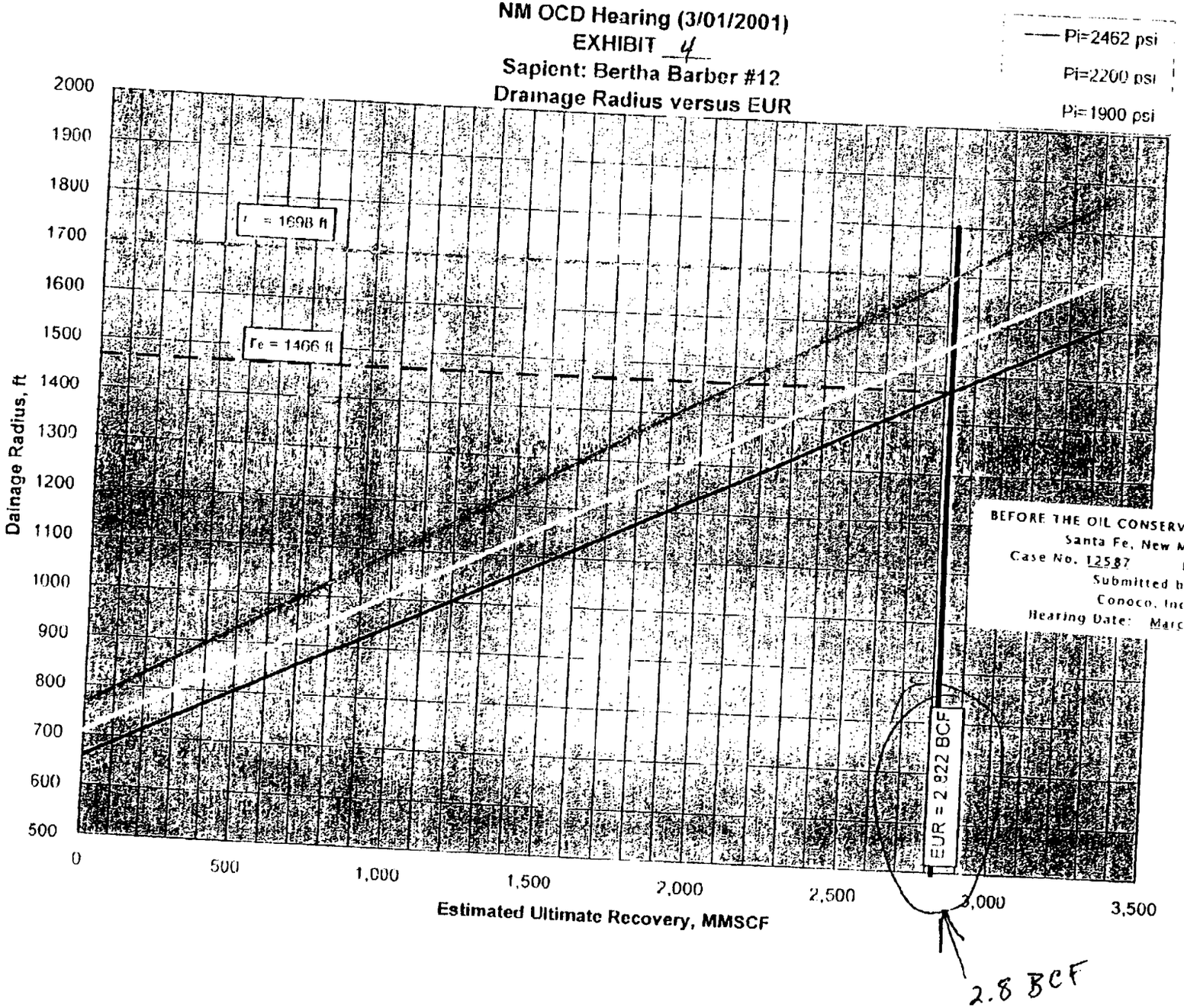
Conoco

NM OCD Hearing (3/01/2001)

EXHIBIT 4

Sapient: Bertha Barber #12

Drainage Radius versus EUR



2.8 BCF

ILLEGIBLE

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12587 Exhibit No. 4
Submitted by:
Conoco, Inc.
Hearing Date: March 1, 2001

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	
APPLICATION OF SAPIENT ENERGY CORP. FOR AN UNORTHODOX WELL LOCATION AND (i) TWO NONSTANDARD 160-ACRE SPACING UNITS, OR IN THE ALTERNATIVE (ii) ONE NONSTANDARD 160-ACRE SPACING AND PRORATION UNIT, LEA COUNTY, NEW MEXICO	CASE NO. 12,587
APPLICATION OF SAPIENT ENERGY CORP. FOR SPECIAL POOL RULES, LEA COUNTY, NEW MEXICO	CASE NO. 12,605
	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 1st, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 1st, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

CONOCO WITNESSES (Continued):

* * *

directly across.

In Section 5, more than likely with the activity, Marathon would probably want to protect its correlative rights by drilling an offset, a nonstandard offset, in Section 5. And not knowing the condition here of this -- on this map that's labeled as Barber AD 1 -- I believe that's a Sapient well -- I'm not sure whether it's shut in or what the case of the wellbore integrity is, but if it's not good, then they would be required to drill another well, as indicated by the small circle there.

What we see is a large amount of overlap, indicating the fact that there would be a competition or interference here, an acceleration of the reserves, that a good portion of these reserves could be accumulated by just pretty much a couple existing wells of Chevron and Sapient.

Q. In your opinion, would adoption of 80-acre spacing result in a development pattern that would be excessive for this reservoir?

A. Yes, I do.

Q. What are your recommendations concerning Sapient's Application?

A. That there be a standard square 160-acre spacing and that the petition for the nonstandard be rejected.

Q. In your opinion, if that occurred, there would have to be some sort of a make-up of the production, would

there not?

A. Yes, that's right.

Q. And how would you recommend that that be handled?

A. I think Conoco and its partners and interests, royalty interests, would want to be flexible. It would be perhaps from a point forward, perhaps with the gas-balancing process at that point in time. We would not be expected to be paid in cash or check.

Q. Mr. Lowe, were Exhibits 3 through 6 prepared by you?

A. Yes, they were.

MR. CARR: Mr. Stogner, at this time we move the admission into evidence of Conoco Exhibits 3 through 6.

EXAMINER STOGNER: Exhibits 3 through 6 will be admitted into evidence.

MR. CARR: That concludes my direct examination of Mr. Lowe.

EXAMINER STOGNER: Mr. Kellahin, your witness.

MR. KELLAHIN: Thank you, Mr. Stogner.

CROSS-EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Lowe, let's go back to your Exhibit Number 3. You've constructed a production decline curve --

A. Yes, sir.

Q. -- give you an estimated ultimate recovery for

EXAMINATION

BY EXAMINER STOGNER:

Q. Let's see, if I understand what you're talking -- If I understand right, you've mentioned something about forming a standard 160-acre comprising the northeast quarter. And how would that -- Would it be a penalty, or you said that Conoco would --

A. No, sir.

Q. -- accept the production and allocation how?

A. Just from the gas balancing, such that, you know, a percentage of whatever the allotted amount we identified that would be reserves in our acreage that we feel that may have been affected as of -- through the production to date, would be over time added as we would then go through the payment or gas balancing, until such time everything was made up, and then we'd go with a straight heads-up agreement.

We're not asking for, I don't think, a cash settlement or anything retroactive prior to day one. We feel that we would -- We try to work with Sapient here on working out a mutual benefit deal, benefit from the standpoint that they wouldn't have to pay everything up front, but it would be over time.

Q. Do you have that formula?

A. No, sir.