

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: )  
 )  
 APPLICATIONS OF LANCE OIL AND GAS ) CASE NOS. 13,435,  
 COMPANY, INC., FOR COMPULSORY POOLING, ) 13,436, 13,438,  
 SAN JUAN COUNTY, NEW MEXICO ) 13,439 & 13,442  
 )  
 APPLICATION OF LANCE OIL AND GAS ) CASE NO. 13,440  
 COMPANY, INC., FOR COMPULSORY POOLING )  
 INCLUDING OPTIONAL INFILL WELL )  
 PROVISIONS, SAN JUAN COUNTY, NEW MEXICO )  
 )  
 APPLICATION OF LANCE OIL AND GAS ) and  
 COMPANY, INC., TO AMEND DIVISION ORDER ) CASE NO. 13,441  
 R-11,788 TO INCLUDE SUBSEQUENT )  
 OPERATIONS AND OPTIONAL INFILL GAS WELL )  
 PROVISIONS FOR COMPULSORY POOLING, )  
 SAN JUAN COUNTY, NEW MEXICO ) (Consolidated)  
 )

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

March 3rd, 2005  
 Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, March 3rd, 2005, 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.

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ORIGINAL

I N D E X

March 3rd, 2005  
Examiner Hearing  
CASE NOS. 13,435, 13,436, 13,438, 13,439,  
13,440, 13,441 and 13,442 (Consolidated)

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<u>PAUL LEHRMAN</u> (Landman)	
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## A P P E A R A N C E S

## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
 117 N. Guadalupe  
 P.O. Box 2265  
 Santa Fe, New Mexico 87504-2265  
 By: W. THOMAS KELLAHIN

\* \* \*

## ALSO PRESENT:

OBIE L. FRAZIER (Case 13,440 only)

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:57 a.m.:

3           EXAMINER EZEANYIM: The hearing will continue at  
4 this time.

5           Apart from the last case that we have here, which  
6 is nomenclature, we have seven Lance cases that I think for  
7 purposes of testimony we are going to combine and then hear  
8 them at the same time. Is there any objection to doing  
9 that?

10          MR. KELLAHIN: We concur on behalf of Lance, Mr.  
11 Examiner.

12          EXAMINER EZEANYIM: Pardon, please?

13          MR. KELLAHIN: We concur with your request and  
14 have prepared the exhibit book in that fashion.

15          EXAMINER EZEANYIM: Okay. Any objections? Okay.

16          Now, at this time I'm going to call the seven  
17 cases, because we are going to combine them for purposes of  
18 testimony. I think that way we streamline our processes  
19 here.

20          So at this time I call Case Number -- and all  
21 these belong to Lance Oil and Gas Company for compulsory  
22 pooling, all land cases -- Case Number 13,435, Case Number  
23 13,436, Case Number 13,438, Case Number 13,439, Case Number  
24 13,440, Case Number 13,441, Case Number 13,442.

25          Call for appearances.

1 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
2 the Santa Fe law firm of Kellahin and Kellahin, appearing  
3 this morning on behalf of Lance Oil and Gas Company. I  
4 will have one witness to present and to be sworn.

5 In addition, for your information, on Case  
6 13,440, there's a Mr. Frazier who's appeared this morning,  
7 and I would like the record to reflect that his appearance  
8 is for that case.

9 In addition, we have met with him this morning  
10 and we have agreed to work with him on leasing his interest  
11 in the spacing unit. But he is present in the hearing  
12 room, Mr. Examiner.

13 EXAMINER EZEANYIM: Okay, is there any comments?

14 MR. FRAZIER: No, I think we could work something  
15 out, you know. I think it was just a matter of paperwork  
16 and no face time. I did not actually know where the well  
17 was, I did not have the knowledge of the townships and all  
18 that stuff. So it was just a matter of public relations, I  
19 imagine.

20 EXAMINER EZEANYIM: Okay, yes, I got your note.  
21 And so at this time you think you can work it out with --

22 MR. FRAZIER: Yes, sir, I think we can work out  
23 something.

24 EXAMINER EZEANYIM: So we can pursue the cases  
25 there?

1 MR. FRAZIER: Yes, sir.

2 EXAMINER EZEANYIM: So you are not going to be an  
3 opposition to the case?

4 MR. FRAZIER: No opposition.

5 EXAMINER EZEANYIM: Okay, thank you very much.

6 MR. FRAZIER: Thank you.

7 MR. KELLAHIN: At this time we'd like to have our  
8 witness sworn.

9 EXAMINER EZEANYIM: Okay, may the witness stand  
10 up to be sworn, please?

11 (Thereupon, the witness was sworn.)

12 EXAMINER EZEANYIM: And before you proceed, I  
13 need to make a comment here. How do you want to -- Do you  
14 want to do the testimony, all of them at the same time or  
15 go one by one? What do you intend to do?

16 MR. KELLAHIN: Mr. Examiner, in organizing the  
17 exhibit book this week, with the exception of the one case  
18 that was continued --

19 EXAMINER EZEANYIM: Yeah.

20 MR. KELLAHIN: -- we now have a presentation of  
21 seven cases. I've put the documents and the exhibits in  
22 the three-ring binder.

23 Each of the numbers, 1 through 7, represents the  
24 package of exhibits for that particular case.

25 EXAMINER EZEANYIM: Okay.

1 MR. KELLAHIN: It may be helpful for Mr. Lehrman  
2 and I to start with Tab 1, go through that set of exhibits,  
3 and then we can expedite that presentation as we continue  
4 through the book. It will allow you to have a transcript  
5 of that's organized so that the first few pages would be  
6 for the first case and then onward, and so you can see what  
7 we're doing.

8 Where it's convenient, we'll make general  
9 statements that are conclusions that you can apply to all  
10 the cases and hopefully give you a record that will assist  
11 you in preparing the order.

12 If you turn behind a tab you're going to find  
13 that there is an exhibit -- for example behind Exhibit Tab  
14 1, there's an exhibit which is a plat. That plat, then,  
15 has a number associated with the case at the bottom of the  
16 plat. The number in this case would be 1-A.

17 EXAMINER EZEANYIM: Which plat are you --

18 MR. KELLAHIN: Behind Tab Number 1.

19 EXAMINER EZEANYIM: Okay, behind --

20 MR. KELLAHIN: -- Tab Number 1, the first land  
21 map you're looking at.

22 EXAMINER EZEANYIM: Oh, this one.

23 MR. KELLAHIN: Yes, sir.

24 EXAMINER EZEANYIM: Okay.

25 MR. KELLAHIN: At the bottom of that there is a

1 printed case number, which is the Division Order Case  
2 Number, followed by in ink the number 1-A.

3 EXAMINER EZEANYIM: Okay.

4 MR. KELLAHIN: That refers to that case by  
5 itself. When we get to Tab 2 there will be 2-A through  
6 wherever the alphabet leads us.

7 EXAMINER EZEANYIM: Good.

8 MR. KELLAHIN: Behind Tab 1-A, then, would be 1-B  
9 and so forth.

10 The manner of organization is to give you a  
11 locator map for each of the cases, followed by the copy of  
12 the cover of the approved APD that gives you the well name  
13 and the API number, and then we follow that with the C-102,  
14 which is the locator map.

15 We then follow that with the spreadsheet showing  
16 the ownership so that you know the parties. Following that  
17 is generally the proposal letters and discussion about the  
18 parties, followed by the newspaper publication, the  
19 certified mailings. And then we come back to the AFE that  
20 was used.

21 And finally, to be more specific, particularly as  
22 to Mr. Fisher, there's a series of maps at the end which  
23 are divided in terms of -- the subdivision has multiple  
24 tracts in it, and we can go specifically then, using the  
25 later maps, and find any particular owner that you care

1 about knowing.

2 EXAMINER EZEANYIM: Okay, that's an excellent  
3 arrangement. Okay, that's good. You may proceed.

4 PAUL LEHRMAN,

5 the witness herein, after having been first duly sworn upon  
6 his oath, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. KELLAHIN:

9 Q. Mr. Lehrman, for the record, sir, would you  
10 please state your name and occupation?

11 A. Paul Lehrman, I'm a landman.

12 Q. On prior occasions have you testified before the  
13 Division and been qualified as an expert in petroleum land  
14 matters?

15 A. Yes.

16 Q. With regards to your experience in the Farmington  
17 area with consolidating interest owners and obtaining  
18 voluntary agreements, how long have you been working on  
19 this collective project?

20 A. Approximately three years.

21 Q. Did that effort commence prior to your employment  
22 by Lance Oil and Gas Company?

23 A. Yes, it did.

24 Q. Prior to the Lance Oil and Gas Company, by whom  
25 were you employed?

1           A.    I was employed by Richardson Operating Company of  
2 Denver, Colorado.

3           Q.    So when we see some of the documents in the  
4 exhibit book that refer to Richardson, it was activity,  
5 then, that was subsequently acquired by Lance, for which  
6 you continued to work?

7           A.    That's correct.

8           Q.    Are you familiar with the Division Rules  
9 concerning well locations and spacing unit sizes for all  
10 the wells involved in these cases?

11          A.    Yes.

12          Q.    Have you and others on behalf of Lance, to the  
13 best of your knowledge, made a diligent and thorough effort  
14 to compile a correct and accurate list of the owners with  
15 addresses for all the parties to be pooled in all these  
16 cases?

17          A.    Yes.

18          Q.    Have you been involved in the permitting of all  
19 these wells?

20          A.    With the exception of one, yes.

21          Q.    And with exception to the one, you are  
22 knowledgeable about that activity at this point?

23          A.    Yes, the company that permitted was under our  
24 direct supervision while I worked at Richardson.

25          Q.    After filing these Applications, did you continue

1 to seek voluntary agreement with the parties for which you  
2 were trying to pool?

3 A. Yes.

4 Q. And as we go through the book you can tell the  
5 Examiner individuals that were originally intended to be  
6 pooled, for which you have now obtained a voluntary  
7 agreement?

8 A. Yes.

9 Q. For all these cases now, Mr. Lehrman, do you have  
10 recommendations with regards to an overhead rate?

11 A. My recommendations are, I believe, \$3500 for the  
12 monthly -- or the drilling well rate, and I believe it was  
13 \$475 or so for --

14 Q. \$481, I think.

15 A. \$481 for the monthly rate.

16 Q. And the AFE that was utilized in all these cases,  
17 the various AFEs, to the best of your knowledge, are those  
18 the ones that were utilized in providing information to the  
19 parties to be pooled?

20 A. Yes.

21 Q. And at the time that they were sent to those  
22 people were they current and accurate?

23 A. Yes.

24 Q. Have you reviewed with me the contents of the  
25 exhibit book that we're about to present to the Examiner?

1 A. Yes.

2 Q. And to the best of your knowledge, these  
3 documents are accurate and correct?

4 A. That's correct.

5 MR. KELLAHIN: We tender Mr. Lehrman as an expert  
6 witness, Mr. Examiner.

7 EXAMINER EZEANYIM: Mr. Lehrman is so qualified.

8 Q. (By Mr. Kellahin) Mr. Lehrman, let's start with  
9 the exhibit book. If you'll turn behind Exhibit Tab 1,  
10 let's orient the Examiner as to the spacing unit involved  
11 for this first case.

12 A. That would be the southeast quarter of Section  
13 17, Township 29 North, Range 14 West, San Juan County.

14 Q. The purpose of forming the 160-acre spacing unit  
15 is for what targeted objective?

16 A. The Twin Mounds Fruitland Sand Pictured Cliffs.

17 Q. It's a PC well?

18 A. Pictured Cliffs.

19 Q. And if we turn past the locator map, have you  
20 obtained an approved APD for this well at this location?

21 A. Yes, the copy of the -- the front copy of the  
22 APD, the federal APD, is attached as 1-B.

23 Q. Okay. If we turn now to 1-C, identify for us  
24 what we're seeing here.

25 A. This is the C-102 showing the southeast quarter

1 proration unit, consisting of 162.07 acres for the Twin  
2 Mounds Fruitland Sand dedication.

3 Q. This form bears your signature?

4 A. Yes.

5 Q. And as to all these well locations, have they  
6 been located at a point that's in compliance with Division  
7 Rules?

8 A. Yes.

9 Q. There's one well involved in this package that's  
10 at an unorthodox well location?

11 A. That's correct.

12 Q. Have you obtained Division approval for that  
13 location?

14 A. Yes.

15 Q. With regards to all locations, have you obtained  
16 the cooperation and consent of the owner of the surface  
17 where the well is to be located?

18 A. Yes.

19 Q. Let's turn now to Exhibit 1-D. Identify for me  
20 what's this exhibit.

21 A. This is an exhibit showing a list of the unleased  
22 mineral owners in the proposed spacing unit.

23 Q. As for this case and all the other cases, Mr.  
24 Lehrman, describe for the Examiner the efforts you and  
25 others on behalf of Lance and Richardson have made to

1 compile a correct list and to track down parties such as  
2 this Western American Corporation, it says "Unable to  
3 locate". Give us the background of your database and then  
4 what you did to find this company.

5 A. Going back in history, Richardson Operating  
6 Company had an attorney render a title opinion based on him  
7 going to the courthouse in San Juan County and obtaining  
8 information and rendering an opinion on who he felt were  
9 the mineral owners in this particular area.

10 And this particular company, West American  
11 Corporation -- I worked on this quite a bit myself, so --  
12 It was a real estate development company that went bankrupt  
13 in the 1960s. We've made considerable effort to locate  
14 these people. I've made personal contact with people in  
15 the Harris County Courthouse in Houston, Texas. We've sent  
16 people to the archives in Fort Worth, Texas. We've  
17 contacted people in Denver, Colorado, and also personal  
18 contact with some archives in Albuquerque, and they have  
19 been unable to locate any files regarding this bankruptcy.

20 I've also made personal contact with one of the  
21 officers who's still alive in Farmington. He was an  
22 officer at the time the corporation was a valid corporation  
23 in New Mexico, and he doesn't have any recollection of  
24 where the other officers are or what happened to the assets  
25 of the company. Unfortunately, we've just been unable to

1 locate anybody that can tell us what happened to this  
2 company.

3 Q. As in this case, did you pursue for all the  
4 subsequent cases the same type of diligent effort to obtain  
5 the location of these entities and determine that their  
6 interest was accurately reflected on the exhibits?

7 A. Yes.

8 Q. If you'll turn now, Mr. Lehrman, to Exhibit 1-E,  
9 as in this case and all subsequent cases, have we included  
10 in the exhibit package a copy of the notice of newspaper  
11 publication in the *Daily Times* in Farmington for the  
12 docketing of all these cases?

13 A. Yes, that includes the affidavit of publication  
14 for the legal notice.

15 Q. In addition in the notice, did we specifically  
16 name all the individual parties for which we're seeking a  
17 pooling application?

18 A. Yes.

19 Q. And to the best of your knowledge, is all this  
20 information accurate and correct?

21 A. Yes.

22 Q. Let's turn now to Exhibit 1-F. Would you  
23 identify and describe for us what is represented on Exhibit  
24 1-F?

25 A. Yes, this is an authority for expenditure for the

1 costs that would be incurred from -- you know, for Lance,  
2 for the drilling of this proposed well.

3 Q. Because you were unable to contact this company,  
4 therefore there is no proposed offer of participation in  
5 this well, including an AFE that was sent to that company,  
6 right?

7 A. That's correct.

8 Q. In addition, there's no certificate that they  
9 received notice, because we were unable to find them?

10 A. Right.

11 Q. So following the AFE, you have a series of plats.  
12 In this case there are two plats that will help the  
13 Examiner examine within the spacing each of the various  
14 lots, should he desire to do so. That is the purpose of  
15 Exhibit 1-G?

16 A. That's correct.

17 Q. And it has two pages associated with it?

18 A. Yes, the two plats represent basically the  
19 southeast quarter of Section 17. The larger -- the first  
20 plat that's marked 1-G shows the majority of the southeast  
21 quarter. The northeast of the southeast is actually a  
22 subdivision. That's depicted by a separate plat.

23 Q. On the first page of Exhibit 1-G you have blocked  
24 out an area that says "50% Western America". Is this the  
25 interest to be pooled within the spacing unit?

1           A.    Yes.

2           MR. KELLAHIN:  Mr. Examiner, unless you have  
3 questions about this case, we are ready to proceed to the  
4 next case.

5           EXAMINER EZEANYIM:  Can you explain to me this  
6 1-G, these two pages?  I need to -- Is this just for the  
7 well in that --

8           THE WITNESS:  Yes.  I can -- if I could come and  
9 show you, I could --

10          EXAMINER EZEANYIM:  Yeah.

11          THE WITNESS:  Would that be okay?

12          EXAMINER EZEANYIM:  Yeah.

13          THE WITNESS:  This map is the whole southeast  
14 quarter.

15          EXAMINER EZEANYIM:  Okay, yeah.

16          THE WITNESS:  The well is actually located down  
17 here.

18          EXAMINER EZEANYIM:  Oh, it's not marked, that's  
19 why --

20          THE WITNESS:  Yeah.

21          EXAMINER EZEANYIM:  Okay.

22          THE WITNESS:  This plat is actually depicted on  
23 what's going on right here --

24          EXAMINER EZEANYIM:  Okay.

25          THE WITNESS:  -- it's like a bigger --

1 EXAMINER EZEANYIM: Yeah, okay. Go ahead.

2 MR. KELLAHIN: All right, let's turn to Tab  
3 Exhibit 2, Mr. Lehrman.

4 EXAMINER EZEANYIM: And this is in relation to  
5 13,436?

6 THE WITNESS: Yes.

7 MR. KELLAHIN: Yeah.

8 EXAMINER EZEANYIM: 13,436, okay.

9 MR. KELLAHIN: That's correct. And as to each  
10 case, in the back of the exhibit book under that tab,  
11 you're going to find specific plats that you just saw for  
12 Exhibit -- Case 1, and if they're duplicative, it's simply  
13 to give you a chance to see those plats for that --

14 EXAMINER EZEANYIM: That's right.

15 Q. (By Mr. Kellahin) Mr. Lehrman, identify for us  
16 Exhibit 2-A, please.

17 A. That's the plat showing the well location for the  
18 proposed well in the southwest quarter of Section 17.

19 Q. In this case, what is the name of the well  
20 involved?

21 A. It is the WF FRPC 17 Number 3.

22 Q. This well is intended to test what two  
23 formations?

24 A. The Fruitland Coal and the Pictured Cliffs.

25 Q. When we look at Exhibit 2-A, what will be the

1 acreage assigned to the well for purposes of the spacing  
2 unit?

3 A. The Fruitland dedication will be 310.05, and the  
4 Pictured Cliffs is 145.66.

5 Q. You can see that information as to the Fruitland  
6 Coal on Exhibit 2-C?

7 A. Yes, those are the C-102s depicting each  
8 proration unit.

9 Q. And then as we move to Exhibit 2-D, then that's  
10 the proration unit for the PC --

11 A. That's correct.

12 Q. -- portion of the wellbore?

13 Are these wells that have both formations like  
14 this one, are they to be downhole commingled, or are they  
15 dual completions? Or has that decision been made?

16 A. That's a probability, they'll probably be  
17 downhole commingled.

18 Q. Well, if they're downhole commingled, then,  
19 you're aware the Division requires further processing?

20 A. Yes, we're required, yes.

21 Q. And you've been through that process?

22 A. Yes.

23 Q. Let's turn now to Exhibit 2-E. Once again, what  
24 is the entity for which you desire to obtain a compulsory  
25 pooling order?

1           A.    Again, it was the West American Corporation  
2 company on the previous quarter that we were unable to  
3 locate that went bankrupt in the 1960s.  They were a real  
4 estate development company that we've been unable to  
5 locate.

6           Q.    And then again if you move past that you get to  
7 2-F, and this is the newspaper publication for the case?

8           A.    Yes.

9           Q.    And then 2-G is the AFE that's associated with  
10 this wellbore?

11          A.    Correct.

12          Q.    And it's divided in such a way that you have  
13 first of all the PC cost, and then again if you turn over  
14 to 2-H, then you see the Fruitland costs associated with  
15 the wellbore?

16          A.    Correct.

17          Q.    Okay.  And then once again you've got 2-I, which  
18 is locator maps?

19          A.    Yes, the first map shows the southeast quarter,  
20 and the second map shows the southwest quarter.

21          Q.    And with the Examiner's permission, Mr. Lehrman,  
22 if you'll approach the table and show the Examiner where  
23 the well is located on any of these three maps that we're  
24 discussing.

25                   THE WITNESS:  Unit L, down in here.

1 EXAMINER EZEANYIM: Okay.

2 THE WITNESS: This again is the northeast, this  
3 is the southwest, and this again is the subdivision that's  
4 part of this.

5 EXAMINER EZEANYIM: Okay, just the location of  
6 the well, that will be fine.

7 MR. KELLAHIN: We're ready, Mr. Examiner, to  
8 proceed to the next case, if you have no questions about  
9 the case involved behind Exhibit Tab 2.

10 EXAMINER EZEANYIM: No, my question will be after  
11 you present --

12 MR. KELLAHIN: Okay, fine.

13 Q. (By Mr. Kellahin) Mr. Lehrman, let's proceed now  
14 to Exhibit Tab 3 and discuss the exhibits associated with  
15 Case 13,438. Identify for us the spacing units involved  
16 and the well associated with the spacing units.

17 A. The first map, 3-A, depicts the location of the  
18 well in the northeast quarter of Section 17.

19 Q. It's the ROPCO 17-1?

20 A. Actually, I think it's the WF FRPC 17 Number 1.  
21 That's the name that we put on the C-101.

22 Q. Okay, so we need to correct 3-A to reflect the  
23 correct name of the well?

24 A. Yeah, it should be FRPC instead of ROPCO.

25 Q. Got it. If you turn behind the locator map, what

1 is your Exhibit 3-B?

2 A. 3-B is the C-101 which we filed on line with the  
3 NMOCD.

4 Q. And for this well and all the wells you have  
5 approved APDs?

6 A. Yes.

7 Q. And the associated API numbers?

8 A. Yes.

9 Q. Let's turn now to Exhibit 3-C. Identify that for  
10 us.

11 A. 3-C is the 102 showing the northeast Twin Mounds  
12 Fruitland Sand PC dedication.

13 Q. And then 3-D?

14 A. 3-D is a C-102 showing the Fruitland Coal, Basin  
15 Fruitland Coal dedication for the north half of 17.

16 Q. Now let's turn over to Exhibit 3-E and have you  
17 identify and describe the interest owners to be pooled.

18 A. This is a list of unleased mineral owners having  
19 mineral interests in the northeast quarter and the north  
20 half of Section 17.

21 Q. If you total up the entire interest within -- I  
22 assume these are associated with the 320-acre spacing  
23 unit --

24 A. Well --

25 Q. -- in the far right --

1 A. Yes, the way we --

2 Q. -- and you have 20 --

3 A. Well --

4 Q. Go ahead.

5 A. Yeah, the way we set up this table is, we set up  
6 the PC acreage with the total net and the interest in that  
7 proration unit that's unleased, and also the same in the  
8 Fruitland Coal.

9 Q. Turn now to the next tab -- I mean the next  
10 exhibit, is 3-F?

11 A. Yes, 3-F is a letter that we've sent out to  
12 unleased mineral owners, asked them to make an election for  
13 the proposed well.

14 Q. Is this the form letter that was sent to  
15 everybody that was listed with a name and address on  
16 Exhibit 3-E?

17 A. Yes.

18 Q. And did this notice letter also include a  
19 proposed AFE?

20 A. Yes.

21 Q. And is that the AFE that we'll talk about in a  
22 minute, as associated with all these cases?

23 A. Yes.

24 Q. In addition to proposing their participation in  
25 this well, did Lance offer other options for participation,

1 either by lease, sale or whatever?

2 A. Yes, those are outlined in the letter.

3 Q. Okay. Exhibit 3-G represents what?

4 A. It's a certificate of mailing for compliance with  
5 the order for the force pooling.

6 Q. And then Exhibit 3-H is the notice of hearing  
7 that was sent to all these people?

8 A. Yes.

9 Q. And that's followed, then, by copies of the green  
10 cards?

11 A. Right, the actual certified mailings that were  
12 made for the compulsory pooling.

13 Q. And then if you turn past those pages, you can  
14 find 3-I, which is the newspaper publication?

15 A. That's correct.

16 Q. And then behind that is 3-J?

17 A. Yes, that's the AFE that was sent with the offer  
18 letter for the election.

19 Q. We're down now to Exhibit 3-K, and it's got four  
20 pages associated with this well, Mr. Lehrman. Would you  
21 approach the Examiner and show him on which of these four  
22 exhibits that he would find the approximate location for  
23 the well?

24 THE WITNESS: The well is going to be right  
25 there.

1 EXAMINER EZEANYIM: Okay.

2 Q. (By Mr. Kellahin) Mr. Lehrman, that completes  
3 the exhibits for the case involved behind Exhibit Tab 3.  
4 If you'll turn to Exhibit Tab 4, let's look at the exhibits  
5 associated with Case 13,439, and start with Exhibit 4-A.

6 A. 4-A is a map showing the proration unit location  
7 of the proposed Navajo 15 Number 4 well in the southeast  
8 quarter of Section 15, 29-14.

9 Q. This also is to be a Fruitland Coal PC well, is  
10 it not?

11 A. That's correct.

12 Q. So if you turn behind the Exhibit Tab 4-A and  
13 find 4-B, what do you have here?

14 A. 4-B is a copy of the APD submitted to the Bureau  
15 of Indian Affairs and also the BLM, approving the well.

16 Q. And then behind that is 4-C.

17 A. 4-C is the C-102 showing the proposed Basin  
18 Fruitland Coal and West -- this is a West Kutz-PC Pool  
19 southeast Pictured Cliffs dedication. There's only one  
20 C-102. It was done before the requirement to have separate  
21 C-102s for each pool.

22 Q. So this is a composite of the two, and you can  
23 see by the way it's coded how to read those spacing units?

24 A. Yes, the pool codes are on there with the  
25 depictions of each individual spacing unit.

1 Q. Let me ask you this question, when you look at  
2 the Exhibit 4-C, the section itself appears to be slightly  
3 odd-sized. You can see the shape of the plat?

4 A. Yes, I believe that is an irregular -- I  
5 shouldn't say irregular, but --

6 Q. It looks distorted on this exhibit.

7 A. Yeah, it is somewhat skewed. The San Juan River  
8 runs through there. It's a nonstandard location which  
9 we've obtained an administrative order for unorthodox  
10 location for.

11 Q. For purposes of calculating the size of the  
12 spacing unit, it appears to you, does it not, based upon  
13 the title work, that these would be standard 320-acre  
14 spacing units for the coal and 160 acres for the PC?

15 A. I believe so. I'd have to -- Yes, that's  
16 correct, the APD on 4-B shows the east half to be 320, and  
17 the southeast is 160 for the PC, that's right.

18 Q. Well, whether the section is irregular or  
19 distorted, the actual calculation of acreage is as  
20 represented in the Application?

21 A. That's correct.

22 Q. Let's turn now to the list of parties for whom  
23 you're seeking to obtain a compulsory pooling order. If  
24 you'll look at 4-D, identify what you see there.

25 A. 4-D is the tabulation of the unleased mineral

1 owners in the proposed spacing units. I will add that we  
2 have obtained leases from Mr. Overturf and Mr. and Mrs.  
3 LaCour, the first two owners on the tabulation we do have  
4 signed oil and gas leases from.

5 Q. So we can delete the first two entries for  
6 purposes of pooling?

7 A. Yes, and we're in communication -- we're talking  
8 to the last two owners to obtain leases for those two too.  
9 We've made personal contact with all four of these, and  
10 we've obtained two and hope to obtain the other two.

11 Q. Is this your business practice with regards to  
12 all the wells, to continue to try to acquire leases and  
13 work out voluntary agreements with these people?

14 A. If we can --

15 Q. Yeah.

16 A. -- based on, you know, manpower and hours.

17 Q. When you look at the scope of this project over  
18 the last three years, can you give us a general sense  
19 collectively of the number of tracts or parties that you've  
20 had to work with?

21 A. In the thousands.

22 Q. Let's turn past that exhibit and 4-E. Identify  
23 us what this is.

24 A. 4-E is the letter with the specific options that  
25 we sent to each individual unleased mineral owner.

1 Q. This letter is dated July 22nd of '03?

2 A. That's correct.

3 Q. After that, did Lance send another letter, a more  
4 recent letter?

5 A. Yes. Actually, most of these landowners have  
6 been sent probably three or four separate offers at  
7 different times.

8 Q. Let's look at the most current proposal, then.  
9 If you'll turn to Exhibit 4-F, what does this represent?

10 A. This is the latest offer sent out by Lance  
11 subsequent to the purchase of the assets from Richardson.

12 Q. And once again, this letter is the standardized  
13 proposal letter that Lance is using for all these wells?

14 A. That's correct.

15 Q. And the letter, again, included the AFE for the  
16 well?

17 A. Yes.

18 Q. Following that is 4-G?

19 A. Yes, that's the Application for the compulsory  
20 pooling.

21 Q. If you turn past the Application -- And in all  
22 these cases the Application itself was sent to these  
23 parties. If you turn past the Application, then I want to  
24 direct your attention to 4-H.

25 A. 4-H is the Administrative Order, NSL-4936, for

1 the unorthodox well location for the 15-4. It's approved  
2 in August of '03.

3 Q. And this is still the active approval, and this  
4 is what you intend to execute in terms of drilling this  
5 well?

6 A. Yes.

7 Q. And behind that is 4-I. Identify that for us.

8 A. 4-I is a certificate of mailing for the  
9 compulsory pooling.

10 Q. 4-J?

11 A. 4-J is the notice of the hearing.

12 Q. And following that, associated with that exhibit  
13 number, are copies of the green cards?

14 A. Yes, this would be green-card certified mailings  
15 for the notices.

16 Q. And then directing your attention to 4-K?

17 A. 4-K is a copy of the publication that appeared in  
18 *The Farmington Daily Times*, along with the affidavit of  
19 publication from *The Farmington Daily Times* showing that it  
20 appeared in *The Farmington Daily Times*.

21 Q. 4-L, then, is the AFE associated the proposal  
22 letter?

23 A. That's correct.

24 Q. And then finally we're down to 4-M in this  
25 package, and there's one locator plat associated with the

1 well. Would you approach the Examiner and show him the  
2 approximate location of the proposed well?

3 THE WITNESS: I believe it's right here.

4 Q. (By Mr. Kellahin) Mr. Lehrman, we're ready to  
5 turn the tab to Exhibit Tab 5 and look at the exhibits  
6 associated with Case -- I've got the case number marked  
7 wrong there. There's a typo in this. We've got too many  
8 1's. It's 13- --

9 A. -- -440.

10 Q. -- -440. And let's start, then, with Exhibit  
11 5-A. Identify and describe that in terms of the well  
12 location and spacing unit.

13 A. 5-A is a map depicting the location of the FRPC  
14 15 Number 2 well, in the northwest quarter of Section 15.

15 Q. If you turn behind the locator map, identify for  
16 us 5-B.

17 A. 5-B is the approved C-101 that was submitted to  
18 the NMOCD for the drilling of this well.

19 Q. And has your permit been approved?

20 A. Yes.

21 Q. Following that, let's look at the C-102s.

22 A. C-102, 5-C, is the northwest PC dedication for  
23 the Twin Mounds-Fruitland Sand Pool.

24 5-D is the C-102 for the Basin-Fruitland Coal  
25 west-half dedication.

1 Q. Now, let's turn to the next series of pages  
2 associated with Exhibit 5-E.

3 A. Yes, that's a tabulation of the unleased mineral  
4 owners in the proposed spacing units.

5 Q. If you turn to the second page of that exhibit,  
6 the top entry is Mr. Frazier and his wife's name?

7 A. Yes.

8 Q. That was the Mr. Frazier that was in the hearing  
9 room earlier?

10 A. That's correct.

11 Q. Associated with his interest by way of  
12 explanation as to how this is constructed, will you explain  
13 to the Examiner how this spreadsheet works concerning Mr.  
14 Frazier's interest?

15 A. Mr. Frazier owns a small lot in Harper Valley  
16 subdivision in the southwest quarter of Section 15. His  
17 interest will be dedicated to the west-half Fruitland Coal  
18 unit, and his acreage is depicted in this tabulation on a  
19 net basis and a percentage basis of the Fruitland Coal.

20 Q. The well itself is going to be located in the  
21 opposite 160 acres from the subdivision that contains Mr.  
22 Frazier's tract?

23 A. Yes, we don't have any intentions of drilling in  
24 the subdivision.

25 Q. When you compute his interest, what is his

1 percentage interest in the Fruitland Coal?

2 A. .0705.

3 Q. And that same methodology applies to all these  
4 individuals and their interests?

5 A. Yes, the majority of the interests in the  
6 tabulation are actually small working -- or small interests  
7 in the Fruitland Coal dedication.

8 Q. In order to find those interests associated only  
9 with the Pictured Cliff in the northwest quarter of 15,  
10 would you turn back to the first page of Exhibit 5-E and  
11 show us how, on Exhibit 5-E, the first page, the PC is  
12 indicated?

13 A. Yes, again it's in tabular form. The first -- I  
14 don't know how many is there. It looks like it goes all  
15 the way almost down to the bottom of the page. Those are  
16 people who have lots in the northwest quarter of Section  
17 15, will actually have interest in both the PC and the  
18 Fruitland Coal dedications, versus just people who own lots  
19 in the southwest quarter, who only have interest in the  
20 Fruitland Coal dedication.

21 Q. Let's turn past that exhibit set, Mr. Lehrman,  
22 and look at Exhibit 5-F. What's represented here?

23 A. 5-F is the letter Lance sent out in January of  
24 this year to unleased mineral interest owners with their  
25 elections as to, you know, leasing, joining, selling.

1 Q. And this is the form, then, that was utilized to  
2 tailor and send the AFE and this notice letter to all the  
3 parties listed on the prior exhibit?

4 A. Yes.

5 Q. Let me turn to a slightly different topic for  
6 you. We're going to talk about Exhibit 5-G here, which is  
7 the proposal included in the Application requesting that  
8 the Examiner include subsequent-operation language in the  
9 pooling order. What is the objective that you're seeking  
10 to obtain by having such language placed in this order, Mr.  
11 Lehrman?

12 A. We're hoping to obtain some kind of a risk  
13 penalty for drilling the well for the owners who haven't  
14 decided to participate or lease.

15 Q. And would it also include the methodology and  
16 provisions that you might see in Article 6 of your  
17 operating agreements for subsequent operations?

18 A. Yes.

19 Q. If the Examiner adopts these provisions, would it  
20 provide an opportunity for Lance to drill an infill well  
21 without the need of amending its pooling Application?

22 A. Yes, I believe that's (c) on this page 5-G.

23 Q. Following Exhibit 5-G -- and we can certainly  
24 come back and talk about that again in a minute when we get  
25 down to the next case -- if you'll look at 5-H, what's

1 represented here?

2 A. That again is the copy and the affidavit of  
3 publication that appeared in *The Farmington Daily Times*  
4 concerning the pooling.

5 Q. Then 5-I?

6 A. Certificate of mailing for the compulsory  
7 pooling.

8 Q. And then 5-J?

9 A. 5-J is the notice of the hearing.

10 Q. And the notice of the hearing is followed by  
11 copies of the postal green cards?

12 A. Yes, of the certified mailings.

13 Q. Following the postal cards, if you go down  
14 probably 10 pages, would you find Exhibit 5-K for us?

15 A. 5-K is the authorization for expenditure that was  
16 mailed to the individual parties.

17 Q. And then finally we're down to 5-L. Would you  
18 approach the Examiner -- This has got two pages associated  
19 with the exhibit. Would you approach the Examiner and  
20 identify for him the approximate location for this well?

21 THE WITNESS: Here's the subdivision.

22 EXAMINER EZEANYIM: Okay.

23 Q. (By Mr. Kellahin) Would you turn now to the next  
24 case? Let's look at Tab 6 and the exhibits behind Tab 6.

25 We're now looking at Case 13,441. Again, the first one --

1           A.    6-A is a depiction of the proposed -- actually  
2 the existing Fruitland Coal dedication and the proposed  
3 Pictured Cliffs dedication in the southeast of Section 7.

4           Q.    There's a pooling order associated with this  
5 spacing unit, is there not?

6           A.    That's correct.

7           Q.    And it applies to which well?

8           A.    The existing spacing order applies to the ROPCO 7  
9 Number 1 well, which is in the northeast of Section 7.

10          Q.    And the purpose of this case, then, is to add in  
11 the infill well, which is down in the southeast quarter of  
12 this section, right?

13          A.    That's correct.

14          Q.    In styling this case, Mr. Lehrman, we asked the  
15 Division to amend the existing order, which is Order  
16 R-11,788. And by doing so, then, you're seeking to have  
17 approval to drill the infill well?

18          A.    That's correct.

19          Q.    Turn to Exhibit 6-B. Identify that for us.

20          A.    6-B is the approved C-101 for the proposed well.

21          Q.    And following that is Exhibit 6-C?

22          A.    Yes, that's the C-102 showing the east-half  
23 Fruitland Coal and the location of the well.

24          Q.    Following that, there is a further depiction of  
25 the spacing unit on Exhibit 6-D?

1           A.    Yeah, 6-D was a C-102 that was submitted along  
2 with the C-103 sundry notice to add the Twin Mounds-  
3 Fruitland Sand-PC to this proposed well.

4           Q.    So as to the ROPCO 7 Number 4, the current case  
5 we're looking at would add this well as the infill well for  
6 the coal in the east half of Section 7?

7           A.    Yes, along with the proposed Pictured Cliffs.

8           Q.    As to the Pictured Cliff, then, we'll come back  
9 to this same wellbore in the next case, and we'll go  
10 through that information as to the PC only, for which we're  
11 asking a separate pooling order for the PC?

12          A.    Correct.

13          Q.    So if the Examiner approves what you're seeking  
14 to accomplish, then, you're going to have three pooling  
15 orders: You have an original pooling order for the parent  
16 well in the northeast quarter for the PC, and then you have  
17 the original pooling order for the well in the northeast  
18 quarter for the east half of the section, for the coal, and  
19 by approval of these two cases, then, you're amending the  
20 Coal order to add the infill well, and in the subsequent  
21 case you'll then pick up the PC?

22          A.    That's correct.

23          Q.    So when all is said and done, you hopefully will  
24 have covered all interest owners in both wells and all  
25 pools?

1 A. Correct.

2 Q. Behind the C-102, 6-D, what's associated with  
3 that filing? What's that?

4 A. 6-E is the order approval for R-11,788 for the  
5 original well in the northeast quarter of Section 7, the  
6 ROPCO 7 Number 1.

7 Q. Then finally, let's look at 6-E. This is the  
8 pooling order that you're seeking to amend?

9 A. Yes.

10 Q. As you understand this order, Mr. Lehrman, it  
11 makes no effort to distinguish -- or to provide the  
12 opportunity for the infill well within the context of this  
13 order, so that's why you're seeking to amend it, to add the  
14 infill well?

15 A. Yes.

16 Q. Let's turn past the order itself and look at the  
17 list of the parties to be pooled within each of these two  
18 spacing units. If you'll look at 6-F, identify for us the  
19 parties.

20 A. 6-F, again, is a tabulation of the unleased  
21 mineral owners with a depiction of their acreage interest  
22 in the Pictured Cliffs and their interest in the Fruitland  
23 Coal. It's tabulated at the very bottom with the net acres  
24 and a percentage in each allocation.

25 Q. So when you look at the PC portion in the

1 southeast quarter, you're down to about 6.6 percent of the  
2 interest in that spacing unit that's not yet committed?

3 A. That's correct.

4 Q. And then conversely you look at the coal portion  
5 of the wellbore, and you're down to 3.3 percent  
6 uncommitted?

7 A. That's correct.

8 Q. Turn to Exhibit 6-G. What's the purpose of this?

9 A. 6-G is a letter that was sent certified,  
10 referencing the ROPCO 7-1 and the proposed infill.

11 Q. And then again, let's turn to the suggested  
12 provisions for the infill well as identified on Exhibit  
13 6-H. These are the proposals for adding to amending the  
14 order?

15 A. Yes, along with the risk penalties.

16 MR. KELLAHIN: Mr. Examiner, for your  
17 information, this is the type of exhibit that was  
18 introduced before Mr. Catanach when I presented the San  
19 Juan Resources case, 13,391, resulting in an order,  
20 11,926-A, in which this same topic was discussed for  
21 amending a Dakota and Pictured Cliff -- amending a 320-acre  
22 Dakota spacing unit to include an infill well. It had  
23 opposition from Mr. Hall's clients.

24 The end result of all that discussion is that Mr.  
25 Catanach adopted our proposed infill provision, so here's a

1 sample to see that the Division has done in the past what  
2 we're asking you to do now.

3 EXAMINER EZEANYIM: Thank you.

4 Q. (By Mr. Kellahin) If you'll turn past the  
5 subsequent operations provisions, Mr. Lehrman, let's talk  
6 about Exhibit 6-I.

7 A. 6-I is again a copy of the publication and the  
8 affidavit of publication that appeared in *The Farmington*  
9 *Daily Times*.

10 Q. And then 6-J?

11 A. 6-J is the certificate of mailing for the  
12 compulsory pooling.

13 Q. 6-K?

14 A. 6-K is a notice of the hearing, of the compulsory  
15 pooling.

16 Q. And the following pages of 6-K represent the  
17 postal cards for -- the green cards returned pursuant to  
18 the mailing?

19 A. That's correct.

20 Q. And then following those, you're going to find  
21 yourself down to Exhibit 6-K?

22 A. 6-K is the authorization for expenditure for the  
23 proposed well.

24 Q. And again, this is the AFE that was sent with the  
25 proposed letter?

1           A.    Yes.

2           Q.    Following 6-K, there's a series of plats, the  
3 first page of which is marked 6-L, and there are five of  
4 these plats.  Would you approach the Examiner and find the  
5 appropriate portion of 6-L and get him the approximate  
6 location of the well?

7                   That concludes the exhibits on that well, Mr.  
8 Lehrman.

9                   If you'll turn now to Case 13,442, again, we're  
10 simply dealing with the same wellbore as we dealt with in  
11 the past case, except we're consolidating this as a  
12 presentation only on the southeast quarter of Section 7 for  
13 the PC?

14           A.    That's correct.

15           Q.    And all these documents, then, are the same.  And  
16 you get down to the end and you have the same location for  
17 the well as you've just represented to the Examiner?

18           A.    Yes.

19           Q.    When you started your presentation, Mr. Lehrman,  
20 you referenced the Examiner to your recommendation that he  
21 adopt some overhead rates, and you're suggesting a drilling  
22 rate of \$3500 a month and a producing well rate of \$481.  
23 What is the source of that information for which you've  
24 made your request?

25           A.    It's a recent Ernst and Young survey of companies

1 based on overhead and drilling well rates for the United  
2 States.

3 Q. And out of that survey from Ernst and Young, have  
4 you selected within the range of choices what you believe  
5 to be an appropriate level for costs for drilling and  
6 producing?

7 A. Yes.

8 Q. In summary, then, Mr. Lehrman, do you believe  
9 that Lance and you have made their best possible effort to  
10 consolidate the interest owners on a voluntary basis?

11 A. Yes.

12 Q. And while you continue to try to do that, do you  
13 now need compulsory pooling orders to allow these wells to  
14 be drilled and the process to continue forward?

15 A. Yes.

16 MR. KELLAHIN: That concludes my examination of  
17 Mr. Lehrman, Mr. Examiner, and we would move the  
18 introduction of all the exhibits behind Exhibit Tab 1  
19 through 7, inclusive.

20 EXAMINER EZEANYIM: Exhibits 1 through 7, those  
21 tabs, will be admitted into evidence.

22 MR. KELLAHIN: That concludes our presentation,  
23 Mr. Examiner.

24 EXAMINER EZEANYIM: Thank you, Mr. Kellahin. I  
25 must admit that this is an excellent presentation, because

1 some of the questions that I already had, I understand.

2 But I see I have a couple of questions that I may  
3 have to go to try to piece these things together. I need  
4 to be clear, because you touched on that.

5 EXAMINATION

6 BY EXAMINER EZEANYIM:

7 Q. One of the questions I wanted to ask is, you have  
8 that \$3500 drilling and the 10-percent producing, and you  
9 said it's because -- well you know, \$481 is what you're  
10 asking for.

11 A. Oh, the actual --

12 Q. Yeah, actual overhead rates. This is overhead  
13 for all the wells that you are drilling in that area, that  
14 you wanted all the wells together, that you're asking for  
15 that \$3500 drilling and then \$481 producing for all the  
16 wells, right? Is that --

17 A. Right.

18 Q. Okay. And again, I was wondering why it's not 10  
19 percent on that \$3500. Could you explain to me why it's  
20 not 10 percent?

21 MR. KELLAHIN: Mr. Lehrman, just -- if you have a  
22 copy of the Ernst and --

23 THE WITNESS: I do have a copy.

24 MR. KELLAHIN: Show him the report and where you  
25 pulled those numbers from.

1 THE WITNESS: This is the fixed overhead survey.  
2 It was done in 2003. We pulled the -- for our depth, you  
3 know, the minimum average. The median is basically the  
4 same, and we went right in the middle for the average. The  
5 low is on \$214, and the high is \$541 --

6 EXAMINER EZEANYIM: Okay.

7 THE WITNESS: -- so we went \$481.

8 Q. (By Examiner Ezeanyim) Okay, can I have it?

9 A. Sure.

10 Q. And this is most cases for the wells drilled in  
11 this area?

12 A. Right, right.

13 Q. Thank you. Okay, I'm going to go just a couple  
14 of more questions. On Case Number 13,435, it's a PC well,  
15 right? Is that a PC well?

16 A. Yes.

17 Q. A PC well, okay. And 13,436, two -- is that a PC  
18 and the FC? The Pictured Cliffs and the Fruitland Coal?  
19 I'm just going by what the ad said here. Is that about  
20 right?

21 A. Yes, that's PC and FC.

22 Q. And FC. And you suggested that you will come in  
23 to get your downhole commingling on that well?

24 A. Yes.

25 Q. On those two wells?

1 A. Yes.

2 Q. If this order is issued, you intend to do that,  
3 right?

4 A. Well, obviously it would be based on, you know,  
5 the -- you know, after drilling the well and looking at the  
6 logs and, you know, deciding on whether it would be, you  
7 know --

8 Q. Okay. And then we go to 13,438.

9 A. Okay.

10 MR. KELLAHIN: Behind Exhibit Tab 3, right?

11 Q. (By Examiner Ezeanyim) Yeah, Tab 3. What  
12 formation is that? Is that FC or PC?

13 A. Both.

14 Q. Both.

15 A. That would be both.

16 Q. 13,439, you've got your APD. Have you drilled  
17 the well?

18 A. No.

19 Q. But you have your NSL. That was issued almost  
20 one and a half years ago?

21 A. Right. None of these wells have been drilled.

22 Q. Okay. And let's go back to 13,440 and go 5-C and  
23 5-D. I think there two... 5-C, what formation on 5-C, on  
24 that well? Is that -- Is it a PC?

25 A. It will be both.

1 Q. Both PC, on 5-C and 5-D

2 A. Yes, 5-C and 5-D, yes. It will be both  
3 formations.

4 Q. Okay. When you list all these people who have  
5 agreed, a check mark indicates that those wells have agreed  
6 -- those that didn't agree, it's left blank, right?

7 MR. KELLAHIN: I need to explain that, Mr.  
8 Examiner.

9 EXAMINER EZEANYIM: 5-E, I'm looking at 5-E, for  
10 example.

11 MR. KELLAHIN: Those are my check marks, and I  
12 checked them off to make sure I had sent letters to all  
13 those people.

14 EXAMINER EZEANYIM: Okay.

15 MR. KELLAHIN: Notice of hearing, that's all that  
16 means.

17 EXAMINER EZEANYIM: Oh, that doesn't actually  
18 mean they have agreed?

19 MR. KELLAHIN: No.

20 THE WITNESS: Right.

21 EXAMINER EZEANYIM: Okay, I just wanted to make  
22 sure.

23 Q. (By Examiner Ezeanyim) You are asking for  
24 subsequent operations, and then -- Are you asking for a  
25 different penalty, or are you asking for 200 percent?

1 A. 200 percent.

2 Q. If I understand, you are asking for subsequent  
3 operations in 13,440 and 13,441, I think; is that right?

4 MR. KELLAHIN: That's exactly right.

5 THE WITNESS: Yes.

6 EXAMINER EZEANYIM: Are we talking about the two  
7 formations, the FC and PC in that -- What I was talking  
8 about, this FC and PC, okay. PC actually. I'm looking at  
9 13,441. Is it FC and PC? From your testimony -- which one  
10 is this? 13,441?

11 MR. KELLAHIN: That is the infill well in the PC,  
12 which also includes -- I'm sorry, I misspoke, it's the  
13 infill well in the coal, and it also includes the PC.

14 EXAMINER EZEANYIM: Okay, so both.

15 MR. KELLAHIN: Yeah, and the provision is written  
16 -- the suggested language in 5-G is written to apply to  
17 either the parent well or the infill well, and it's  
18 characterized as subsequent operations for either well.

19 Q. (By Examiner Ezeanyim) Oh, okay. Yeah, okay.  
20 And you are on Tab 6, 7 -- 13,442, it's a PC, is it?

21 A. Actually, it would be both.

22 Q. It would be both?

23 A. It would be both.

24 MR. KELLAHIN: As to -42, that is only the PC  
25 portion of the same wellbore --

1 EXAMINER EZEANYIM: Uh-huh.

2 MR. KELLAHIN: -- that you're seeing in -41.

3 THE WITNESS: That would be a separate order,  
4 just for the PC. And the previous --

5 EXAMINER EZEANYIM: Okay, the other one --

6 THE WITNESS: Yeah, the previous Application will  
7 be just for the infills for the Fruitland Coal.

8 Q. (By Examiner Ezeanyim) Okay. So we'll go back  
9 to that. Is that a company that you are trying to get --

10 A. Oh, the West American Corporation?

11 Q. Yes.

12 A. Yes.

13 Q. And you can't find anybody --

14 A. No, they were bankrupt in the 1960s, and like Mr.  
15 Kellahin had said earlier on -- and I've been working on  
16 this prospect for upwards of three years, and we've spent  
17 quite a bit of time and effort in trying to locate the  
18 files themselves. And the last contact that was made was  
19 made with the court in Albuquerque, and they found the  
20 actual file card, which referenced the files, and they were  
21 unable to locate the files. And we don't really know where  
22 to go.

23 Q. I see.

24 A. We're guessing that based on the time, you know,  
25 that's expired, they've been lost.

1 EXAMINER EZEANYIM: Okay. Anything further?

2 MR. KELLAHIN: No, sir.

3 EXAMINER EZEANYIM: At this time, then, I will --  
4 Case 13,435, 13,436, 13,438, 13,439, 13,440, 13,441 and  
5 13,442 will be taken under advisement.

6 MR. KELLAHIN: Thank you, Mr. Examiner.

7 EXAMINER EZEANYIM: Thank you.

8 THE WITNESS: Thank you.

9 (Thereupon, these proceedings were concluded at  
10 10:57 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13435-  
heard by me on 3/31/05 13442  
*[Signature]*, Examiner  
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 6th, 2005.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006