

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
23 November 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of James C. Whitten for  
compulsory pooling and an unorthodox  
location, Lea County, New Mexico.

CASE  
7743

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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Santa Fe, New Mexico 87501

For the Applicant:

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JAMES WHITTEN

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MR. STAMETS: We will call next Case 7743.

MR. PEARCE: That is on the application of James C. Whitten for compulsory pooling and an unorthodox location, Lea County, New Mexico.

(Witness sworn.)

JAMES WHITTEN

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you state your name, occupation, and place of residence, please, sir?

A. My name is James Whitten. I'm an independent geologist and I operate my business out of Midland, Texas.

Q. Mr. Whitten, have you been engaged in -- as a geologist for many years?

A. Yes. I'm a graduate geologist from the University of Texas at Austin. I worked ten years for Exxon. I've been an independent geologist for sixteen years and I've appeared before this Commission as a witness before.

Q. And had your qualifications accepted on many occasions?

A. Yes.

Q. Mr. Whitten, are you also engaged in putting deals together as an independent oil operator?

A. Yes, I am.

Q. And in particular in this particular area with this application concerned with the Knowles Pool?

A. That is correct.

Q. You've had years of experience?

A. Yes, sir.

Q. And put together a number of wells?

A. Yes, sir.

MR. JENNINGS: Are Mr. Whitten's qualifications acceptable?

MR. STAMETS: They are.

Q. Generally what's -- we originally filed two applications, Mr. Whitten, but they've been consolidated for hearing purposes. Would you tell the nature of the first application, what you seek from that?

A. Which is to drill an unorthodox location. The field rules state that a well should be drilled in the northwest or the southeast of each -- of any governmental quarter, and we would like to drill a well in the northeast.

1  
2 quarter, and further, we would like to drill it within 330  
3 feet from the north line, and that's all in Section 2, 17 South,  
4 38 East, Lea County, New Mexico.

5 Q I believe this location is in the Knowles  
6 Pool?

7 A That is correct.

8 Q And the special pool rules were established  
9 many years ago in Order Number R-23?

10 A Yes, sir, it was.

11 Q I hand you what has been marked as Exhibit  
12 Number One, Mr. Whitten, and ask you to identify that and tell  
13 us just what that is and what it shows.

14 A This is a map prepared by me and it's a  
15 scale of 1-to-2000. The horizon mapped is the top of the De-  
16 vonian and of course that is, Devonian pay is the only pay in  
17 the field.

18 On that I show an oil/water contact drawn  
19 at a -8920 and I will go through some data and will illustrate  
20 to you that that was the original oil/water contact and on  
21 the basis of -- of our asking for this location, I will attempt  
22 to show you that this location is most desireable to encounter  
23 a deeper zone that we encountered in the two abandoned wells  
24 on the lease, and this is the reason, primary reason, why we  
25 would help to move the location farther north up structure,

1  
2 and be approximately 100 feet high to the producing well, the  
3 No. 2 Cooper, and we will encounter a deeper zone and this  
4 deeper zone is the main zone, and up to this date this zone  
5 has been undrained on this lease.

6 On this map I also show the other wells in  
7 the field. All have been abandoned except two, the Herndon  
8 No. 1 Woodie and the Amerada No. 2-A Hamilton are still pro-  
9 ducing from the Devonian. The remaining wells have all been  
10 plugged.

11 Q I hand you now what has been -- please refer  
12 to what has been marked Exhibit Two. Do you have one there?

13 A Yes.

14 Q And identify that and tell us --

15 A Exhibit Two is the same base map showing the  
16 production from the Devonian and this lease the -- on this  
17 lease this Amerada was drilled the No. 1 Cooper. This is all  
18 in 1950, drilled the No. 1 Cooper, tested free oil but never  
19 was able to complete a well in it.

20 The No. 2 was completed in the Devonian and  
21 produced 304,000 barrels before it was plugged in 1971.

22 This well never encountered the main zone  
23 of porosity. It wasn't high enough structurally.

24 I think with this well we're proposing to  
25 drill we will be able to get the main zone of porosity and

1  
2 production should be in the neighborhood of what these other  
3 wells have produced.

4 The well that made 200 -- excuse me, 24,000  
5 barrels of oil is a recent well and that's the reason why the  
6 low production on that well.

7 Q And which well is that, Mr. Whitten?

8 A The Herndon No. 1 Woodie.

9 Q Now refer to what is -- looks like the same,  
10 but it's marked as Exhibit Three.

11 A Yes, this is a map showing the TD of the wells  
12 and the subsea values, and you'll note that most all of them  
13 wound up drilling around 8900 before they stopped. And this  
14 primarily was the reason behind this is primarily because the  
15 Amerada No. 1 Hamilton, located in K location had a water free  
16 DST in the Devonian down to a -8921, and below there they tested  
17 8921 to 8949 and encountered water.

18 So this is primarily the reason for showing  
19 this map, to show that the water, by DST's and by production  
20 is right in the neighborhood of around 8920.

21 You'll note, too, the No. 1 -- Amerada No. 1  
22 Cooper, located in C location in Section 2 tested this 5200  
23 feet of oil down to -8908. They set pipe and drilled out, had  
24 cement inside the pipe, they drilled out and I feel like they  
25 went on down into the water, apparently, because that well never

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produced any oil after a pretty good test of oil.

Q Now if you would refer to what has been marked as Exhibit Four, Mr. Whitten.

A The Cross section goes through the lease. As I have it, it shows the proposed location. We also have below the logs are some micrologs and the data that I obtained from some scouting information and from the OCD office in Hobbs as to workovers, et cetera.

There is a main zone in the Devonian encountered. Look at the left side at the Amerada No. 1 Axby (sic). You see I've colored that in red. It took -- they set pipe down to the top of that zone and completed open hole and made a real good well out of it, produced 1,241,000 total.

You can see DST number one, DST number two. DST number one shows only 90 feet of oil, 30 feet of drilling mud, indicating it to be very tight. DST number two encountered the main or it took in the -- the main zone of porosity and that's where they had a pretty good, real good test; flowed 165 barrels of oil in four hours.

This main zone is the zone that produces in all of the better wells. It's very critical to -- it has a real good porosity and it's critical that you get within the top of it without going too far and getting in the water.

This proposed location, I think we can drill



1  
2 we have enough control where we can drill down and encounter  
3 that main zone of porosity, drill about 10, 15 feet of it, be  
4 sufficient to drain it.

5 As you can see, the well, the Amerada No. 2  
6 Cooper, which is right next to the proposed location, wasn't  
7 deep -- wasn't structurally high enough to encounter this  
8 main zone, so they never attempted completion.

9 This, in essence, is why we want to move  
10 that location as far north as we can get, but we want to stay  
11 330 from the lines so we can avoid the necessary problems you  
12 get -- encounter in getting that close to the line.

13 Q Do you feel, Mr. Whitten, that drilling  
14 this -- this well at this proposed location will result in an  
15 ultimate recovery of oil no otherwise be recovered?

16 A I do.

17 Q All right, do you think it will be in the  
18 interest of conservation and protect the correlative rights  
19 of all parties concerned in that?

20 A I do.

21 Q Would you please now refer to what's been  
22 marked as Exhibit Five and just tell us what is?

23 A This is the AFE for the well.

24 Q No, I'm sorry, it's a map.

25 A Oh, I'm sorry, yeah a --

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2

Q. It's a map.

3

4

5

6

A. Yeah, a lease map will show -- this is a map I obtained from the Midland Map Company yesterday, and it shows all the current ownership of the area around our lease, for your information.

7

8

Q. Well, why don't you point out the offset operators?

9

10

11

A. The offset operators would be to the east TXO, which we have notified and have received a reply for them -- from them that they would not contest our proposal.

12

13

To the south the acreage is open. Well, Amerada has some of the acreage but most of it's open.

14

15

To the west I have a lease in there. Some of it is still open.

16

17

18

To the northwest Amerada. To the north, due north, is Amerada Petroleum, and then I have a lease on acreage to the northeast.

19

20

We've notified the offset operators of the area.

21

22

Q. Namely TXO and Amerada Hess?

A. Right.

23

24

25

Q. Mr. Whitten, I hand you a letter addressed to TXO and ask you if you'll state the general nature of that letter and then read the reply of TXO.

1  
2 A. TXO states that they have no objection to  
3 the above unorthodox location.

4 Q. Read their comment at the bottom.

5 A. Our company -- yeah, this acknowledgement  
6 is subject to and conditioned upon James C. Whitten and our  
7 future Saunders operators of the Luther Cooper State No. 1  
8 Well having no objection to TXO Production Corporation drilling  
9 at an unorthodox location 2310 from the east and 330 feet  
10 from the north of Section 2, Township 17 South, Range 38 East,  
11 Lea County, New Mexico.

12 In other words, they have no objection to  
13 us drilling under this proposal.

14 Q. Was a similar letter sent to Amerada?

15 A. Yes.

16 Q. And is a return receipt attached to that  
17 letter?

18 A. There is a return receipt from certified  
19 mail.

20 Q. When does that reflect it was received by  
21 Amerada?

22 A. 11-1-82.

23 Q. On reverse side.

24 A. I'm sorry, that was when it was sent. It  
25 was received November 3rd, 1982.

1  
2 MR. JENNINGS: Please, Mr. Examiner,  
3 we would like to offer these. This is just proof of service.  
4 Would you like to have these as exhibits or just incorporated  
5 in the record?

6 MR. STAMETS: I believe they can  
7 just be incorporated in the record.

8 MR. JENNINGS: We request that  
9 these just be incorporated in the record.

10 Q Now, you also made another application, Mr.  
11 Whitten, and what was the general nature of that application?

12 A Well, a request for forced pooling of un-  
13 leased minerals.

14 Q What -- what land do you propose to dedicate  
15 to this well?

16 A The acreage spacing for the Knowles Pool is  
17 80 acres and we propose to combine Lot 3 and the southeast of  
18 the northwest quarter; combine these two, a total of 79. --  
19 no, 76.19 acres.

20 Q What effort have you made to form a pro-  
21 ration unit consisting of these two tracts -- two tracts to  
22 drill this well?

23 A We have made a concerted effort to lease  
24 all of the minerals; however, we have some sixteen leases in  
25 hand and there's something like seven others that we do not

1  
2 have word back from the owners. We have --

3 Q. All right.

4 A. We have been working on this a considerable  
5 time and some of them won't give us an answer whether they  
6 will lease or join.

7 Q. And you're continuing your efforts to obtain  
8 these leases?

9 A. Yes, we are.

10 Q. Do you have the right to drill at this loca-  
11 tion?

12 A. Yes.

13 Q. Mr. Whitten, I think you testified earlier  
14 that you had -- were familiar with the drilling in the area.  
15 Are you also familiar with drilling costs?

16 A. Yes, I am.

17 Q. Have you -- you have participated in other  
18 wells?

19 A. Yes, I have, in the same field.

20 Q. Did you have a hand in drilling the -- or  
21 participating in the Herndon Well?

22 A. Yes.

23 Q. I hand you what has been marked as, I believe  
24 it's Exhibit Six, and ask you to identify that and tell us  
25 what it is.

1  
2 A. Well, this is the AFE for the drilling of  
3 the well that we propose. Drilling costs, you see the summary  
4 at the bottom, drilling costs will be approximately \$450,000,  
5 with completion costs of \$194,000, lease facilities of \$75,000,  
6 a total, grand total cost drilling and complete, \$719,000.

7 Q. In your opinion is that the reasonable --  
8 will be accepted as reasonable -- will be the reasonable cost  
9 of drilling the well?

10 A. Yes. I obtained this AFE and all the data  
11 with it from an operator in Midland, who is current on prices,  
12 and I think it is something that we could live with.

13 Q. Have you submitted this AFE to the non-joining  
14 or nonconsenting interest owners?

15 A. Yes.

16 Q. You have? I believe we have one other ex-  
17 hibit there. We have -- is it -- do you have a form, proposed  
18 form of operating agreement?

19 A. Yes, I do. Let's see, didn't we leave that  
20 with -- yes, this is the operating agreement.

21 Q. Is that operating agreement one that's  
22 generally used in the area?

23 A. This is AAPL Form 610, which is the usual,  
24 ordinary operating agreement.

25 Q. And please refer to your cost exhibit on --

1 listed on it, Mr. --

2 A. Well, it would be -- I don't recall what  
3 page it's on, but the overhead fixed rate basis for \$12,000  
4 to \$14,000 feet on a drilling well would be \$2950 a month  
5 operating cost; on a producing well at that depth it would be  
6 \$400 operating costs per month.  
7

8 Q. Do you feel that these costs are comparable  
9 to those generally charged in the area?

10 A. I do.

11 Q. And you are familiar with those charges?

12 A. Yes.

13 Q. Mr. Whitten, in your experience, from your  
14 experience are you familiar with the risk factor involved in  
15 drilling this type of well?

16 A. Yes.

17 Q. What, in your opinion, would be a reasonable  
18 risk -- charge for risk involved in the drilling of this well?

19 A. I would say the risk of encountering the  
20 reservoir is -- up dip from a producing well is good, except  
21 the risk involved here is actually how much has been drained  
22 from the other wells, by the other wells, so the risk factor,  
23 I would say at least 200 percent.

24 Q. Mr. Whitten, in your opinion will the drilling  
25 of this well and at the location protect the correlative rights

1  
2 of all parties concerned and afford each owner of the proration  
3 unit an opportunity to recover his oil without unnecessary  
4 expense?

5 A. Yes, I feel this is true.

6 Q. Now, who do you propose to -- who is going  
7 to be the operator of this?

8 A. I have one investor, I think, that will --  
9 I don't have this deal turned, it's contingent upon the  
10 hearing, but it will be Discovery Operating most likely will  
11 drill the well, either him or myself.

12 Q. Do you seek permission to withhold from the  
13 proceeds of production attributable to the nonconsent working  
14 interest owner certain sufficient part of the cost until the  
15 200 percent, or whatever penalty allowed, has been recovered?

16 A. Yes.

17 Q. Mr. Whitten, were Exhibits numbered One  
18 through Seven prepared by you or under your supervision?

19 A. Yes, they were.

20 Q. Or documents received in the ordinary course  
21 of business?

22 Do you have anything further that you wish  
23 to offer at this time?

24 A. No.

25 MR. JENNINGS: We would offer these



exhibits.

MR. STAMETS: These exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Whitten, did you give us a figure for your overhead charges as to drilling and production?

A Yes, sir.

Q What were the numbers?

A For a drilling well at 12,000 to 14,000 is \$2950, Two Thousand Nine Hundred and Fifty Dollars, a month; for a producing well at that depth, \$400 a month operating charges.

Q \$2950 is a monthly figure?

A Yes, for a drilling well.

Q All right.

A And \$400 for a producing well.

Q Mr. Whitten, do you have a list anywhere of the various owners in the proposed unit which indicates which ones have signed and which ones haven't?

A I would refer that to another witness we have, who has handled the land situation, and if you'd care to ask him.

Q. Yes, I think we should have some testimony as to that and evidence as to what types of efforts have been made to gain voluntary agreement.

A. I will stay here because he and I have both worked on this together and some I've contacted and some he's contacted.

MR. JENNINGS: This witness arrived late.

(Mr. Tillett sworn.)

WILBUR TILLETT

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Could you please state your name, occupation, and place of residence, please?

A. Yes. My name is Wilbur C. Tillett, T-I-L-L-E-T-T, and my occupation is oil properties, and I live in Midland, Texas.

Q. Are you also a landman and lawyer?

A. Right.

1  
2 Q Now, Mr. Tillett, are you familiar with the  
3 application of not only for an unorthodox location but to  
4 force pool filed herein by James C. Whitten?

5 A Yes, sir, I am.

6 Q Have you spent some time working on acreage  
7 involved in it?

8 A We've been working on this since roughly  
9 January of '81.

10 Q Would you tell -- would you just give us  
11 the status of the acreage, as to how many acres -- how many  
12 lessors, or potential lessors you have and how many acres you  
13 now have under lease or unleased?

14 A There are roughly 25 mineral owners. We  
15 have under lease all but 14 percent of the minerals with one  
16 proviso. There's one interest, 7/32nds belonging to South-  
17 land Royalty Company, which we do not at this moment have a  
18 lease on, but we did have a lease last year, which expired  
19 but we've been assured we'll get it back, so we have roughly  
20 86 percent of the minerals either under lease at this moment  
21 or will lease.

22 Q How many owners remain in the 14 percent  
23 group?

24 A There are one, two, three, four, five, six.

25 Q Would you name them, please --

1  
2 A. Yes.

3 Q. -- and then tell us -- as you name them,  
4 tell us what efforts you've made to either get a lease from  
5 them or farm out from them?

6 A. All right, this W. T. Jordan, J-O-R-D-A-N,  
7 in Wichita Falls, Texas, he has a 32nd. I talked to him only  
8 last week. He said he'd like to lease to me but he had his  
9 sons to consider and I said well, they own no interest of re-  
10 cord. He said, that's correct, but they're my boys and I want  
11 to know if they want to join. If they do, I'll convey that  
12 interest to them and they can pay their way. So he said,  
13 when you get ready to go, let me know. He said, I also speak  
14 for my friend Diehl, D-I-E-H-L, who is up in Sidler, S-I-D-L-E-R,  
15 Oklahoma, to whom I've written a letter and set forth this  
16 proposition. In fact, I've written all of them letters, and  
17 so Mr. Diehl will either join or lease. That's two people.

18 The third one is the Moore Trust in Midland,  
19 Texas; that's old J. Hiram Moore's trust, and we've written  
20 and I've talked to his son, Richard, who said they didn't  
21 want to drill this year or early next, depending on the timing,  
22 come back and talk to them when we are ready to go, but they  
23 would either lease or join.

24 And the Barton's, Roy G. Barton and Roy G.  
25 Barton, Junior, of Hobbs, and they -- I have not talked to

1  
2 either one of them. I've talked to them through Mr. Barton  
3 Junior's secretary, who said that she'd presented it to him  
4 along with our AFE and our joint operating agreement, and  
5 I've not heard back, but they did join on the Herndon Well to  
6 the north three or four years ago.

7 And then the last of the individuals is J.  
8 Don Hudgens Estate out of Hobbs, his two offspring, a lady  
9 named Gail Hudgens in Dallas, I went down and visited with her  
10 on the subject and she said she'd have to decide; said, I  
11 don't have to decide today, do I? And I said, no. That was  
12 on November the 2nd of '82, but she said, well, I'll either  
13 lease or join, I just don't know, and I gave her all the geol-  
14 ogy and the whole bit, and apparently her brother, (the re-  
15 porter could not understand this name) is not of record. Her  
16 brother is not sure he owns his share, being half of that  
17 interest, or whether he may have sold it, and that's in limbo,  
18 but they indicated that for their share they'd lease or join.

19 And then I mentioned Southland Royalty Com-  
20 pany, which we expect to get a lease from.

21 Q Mr. Tillett, have you furnished all these  
22 parties copies of the proposed AFE?

23 A I've -- all of them I've tendered whether  
24 they were interested -- some of them said don't send it until  
25 I'm ready, so I've tendered it to the Bartons, to J. Don Judgens,

1  
2 and Barton -- I mean the others says, well, don't bother un-  
3 til we get ready to go, basically, but I've said it's available  
4 and the numbers, I've given the numbers.

5 Q And the operating agreement, same for the  
6 operating agreement?

7 A Right.

8 MR. JENNINGS: I don't have anything  
9 further of this witness, Mr. Commissioner, at this time.

10  
11 CROSS EXAMINATION

12 BY MR. STAMETS:

13 Q Mr. Tillett, did you first make contact  
14 with these people before or after the application for compul-  
15 sory pooling was filed?

16 A We made contact with them before -- during  
17 1981, before this ever --

18 Q Would you be able to supply us with a list  
19 of these owners and their percentage in the well, plus the --

20 A I have it in writing, yes, sir.

21 Q And do you have any correspondence with --  
22 that shows that you've contacted them?

23 A I have copies of the letters to the Moore  
24 Trust, my notes with Ms. Gail Hudgens, my letter to Mr. Roy  
25 Barton sending the AFE and the joint operating agreement, my

1  
2 notes of the conversation with Richard Moore, plus a copy of  
3 a letter to Richard Moore about this hearing. I've got some  
4 stuff from the surface owner here, and I can furnish you all  
5 that. I've contacted all --

6 MR. JENNINGS: We would be glad to.  
7 If the Commission would like, we can make an additional exhibit  
8 and prepare a copy of that material.

9 MR. STAMETS: That would be appre-  
10 ciated.

11 MR. JENNINGS: If you'll mark that  
12 as Exhibit Nine and we will prepare it and --

13 THE REPORTER: Exhibit Eight.

14 MR. JENNINGS: Exhibit Eight.

15 MR. STAMETS: Let's just not mark  
16 that an exhibit at all. We'll just accept that as a post-hearing  
17 submittal.

18 MR. JENNINGS: Would you like me to  
19 send it by letter or just give it to you today?

20 MR. STAMETS: If you've got it today  
21 you can just leave it with us today. That would be fine, and  
22 if not, you can just send it on later.

23 MR. JENNINGS: I have one other  
24 question I forgot.

25 MR. STAMETS: Yes, sir.

## REDIRECT EXAMINATION

BY MR. JENNINGS:

Q. Mr. Whitten, would you like to have until October -- or February 1 to commence this well?

MR. WHITTEN: Yes.

Q. How long would it take you?

MR. WHITTEN: Well, longer, if I could.

MR. STAMETS: We normally would give till March 1, anyhow.

MR. WHITTEN: March 1, okay.

MR. STAMETS: Is that enough time?

MR. WHITTEN: I think so.

MR. JENNINGS: That would be fine.

MR. WHITTEN: How about extending it? What is involved?

MR. JENNINGS: Yes, we could extend it.

MR. STAMETS: Are there any other questions of either of these witnesses?

MR. PEARCE: If I may, Mr. Examiner, one -- one quick one for Mr. Whitten.

I'm not sure our record is clear. Would you repeat the stipulation on the Amerada conditional consent to the nonstandard --



MR. WHITTEN: TXO.

MR. PEARCE: TXO's, I'm sorry.

MR. WHITTEN: They stated that they would have no objection to drilling -- to us drilling and crowding the line if we didn't object to their doing the same thing.

MR. PEARCE: And just for clarification of our record, sir, their conditional non-objection to your unorthodox location in consideration of your agreeing not to object to a possible unorthodox location 2310 from the east and 330 from the north of Section 2, Township 17 South, Range 38 East, Lea County, New Mexico, you are representing to our record at this hearing that you will not object should they seek that unorthodox location?

MR. WHITTEN: That is correct.

MR. PEARCE: Thank you, sir.

MR. STAMETS: Any other questions of the witnesses? They be excused.

Is there anything further in this case?

Hearing nothing, the case is 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 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. 7743  
heard by me on 11/23 19 82  
Richard P. Stam, Examiner  
Oil Conservation Division