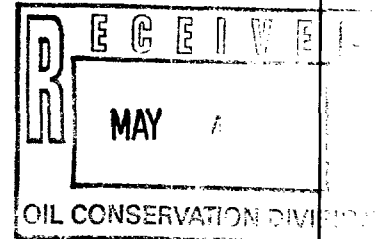


STATE OF NEW MEXICO

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:)

CASE NO. 11,231

APPLICATION OF ENRON OIL AND GAS)
 COMPANY)
 _____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 6th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, April 6th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

April 6th, 1995
 Examiner Hearing
 CASE NO. 11,231

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* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3
4
5 EXAMINER CATANACH: Call the hearing to order
6 this morning for Docket Number 10-95.

7 I'm going to go ahead and call the dismissals and
8 continuances first.

9 (Thereupon, continued and dismissed cases were
10 called.)

11 EXAMINER CATANACH: At this time we'll go back to
12 page one and call Case Number 11,231.

13 MR. CARROLL: Application of Enron Oil and Gas
14 Company for compulsory pooling, Lea County, New Mexico.

15 EXAMINER CATANACH: Are there appearances in this
16 case?

17 MR. CARR: May it please the Examiner, my name is
18 William F. Carr with the Santa Fe law firm Campbell, Carr
19 and Berge.

20 We represent Enron Oil and Gas Company in this
21 matter, and I have three witnesses.

22 EXAMINER CATANACH: Any additional appearances?

23 Will the three witnesses please stand to be sworn
24 in?

25 (Thereupon, the witnesses were sworn.)

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STEVE WENTWORTH,

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Will you state your name for the record, please?

A. Steve Wentworth.

Q. And where do you reside?

A. Midland, Texas.

Q. By whom are you employed?

A. Enron Oil and Gas Company.

Q. And what is your current position with Enron?

A. Project landman.

Q. Mr. Wentworth, have you previously testified before this Division?

A. No, I haven't.

Q. Could you summarize for Mr. Catanach your educational background and then briefly review your work experience?

A. I've got a bachelor's degree from Texas Tech, a Master's degree from the University of Texas at San Antonio.

I worked for Tenneco Oil Company for eight years, Petroquest Exploration for two years, and I've worked for Enron Oil and Gas Company for five years.

1 Q. In these various positions with several oil
2 companies, have you been employed as a petroleum landman?

3 A. Yes, I have.

4 Q. Are you familiar with the Application filed in
5 this case on behalf of Enron Oil and Gas Company?

6 A. Yes, I am.

7 Q. Are you familiar with the subject area and the
8 status of the lands in the area that is involved in this
9 case?

10 A. Yes, I am.

11 MR. CARR: We tender Mr. Wentworth as an expert
12 witness in petroleum land matters.

13 EXAMINER CATANACH: He is considered qualified.

14 Q. (By Mr. Carr) Mr. Wentworth, could you summarize
15 for Mr. Catanach what Enron seeks with this Application?

16 A. We seek an order pooling all mineral interests
17 from the surface to the base of the Bone Spring formation,
18 under the northwest quarter, northwest quarter of Section
19 20, Township 25 South, Range 35 East, Lea County, New
20 Mexico.

21 Q. Have you prepared certain exhibits for
22 presentation here today?

23 A. Yes, I have.

24 Q. Would you identify what has been marked as Enron
25 Exhibit Number 1 and review this for the Examiner?

1 A. That's a land plat that shows the oil and gas
2 lease that we're pooling.

3 The northwest quarter, northwest quarter of
4 Section 20 is the acreage that we're seeking an order on.
5 We would like to -- The well we want to re-enter is on that
6 quarter section -- quarter-quarter section.

7 Q. This plat also shows the ownership of the
8 offsetting tracts in this area?

9 A. That's correct.

10 Q. What is the primary objective of the proposed
11 well?

12 A. Bone Spring formation.

13 Q. Let's go to Exhibit Number 2. Could you review
14 the information on that for Mr. Catanach?

15 A. Exhibit Number 2 shows the working interest
16 ownership in the northwest quarter, northwest quarter of
17 Section 20.

18 Q. And the interest of Dalen Resources Oil and Gas
19 Company has not been committed to the well; is that
20 correct?

21 A. That's correct.

22 Q. So at this time you stand before the Division
23 with Enron's 50 percent in and Dalen's 50 percent out?

24 A. That's correct.

25 Q. Let's go to Exhibit Number 3. Would you identify

1 this, please?

2 A. Exhibit Number 3 is the AFE that has been
3 submitted to Dalen for the drilling of this well.

4 Q. Would you review the totals for dryhole and then
5 the completed well cost?

6 A. Total dryhole costs would be \$60,000; total
7 completed well cost, \$422,500.

8 Q. Let's go to Exhibit Number 4, and I would ask you
9 to refer to this exhibit and then review for the Examiner
10 the efforts that Enron has made to obtain the voluntary
11 participation in this project of Dalen Resources.

12 A. We -- Dalen purchased this lease at the January
13 18th, 1995, federal lease sale. We made a deal with them
14 that's shown on the letter of January 20th where we offered
15 to purchase a portion of their leasehold interest.

16 On February 10th, I sent them an AFE for the re-
17 entry of the Gulf Federal well, telling them that an
18 operating agreement would follow as soon as it was approved
19 by our legal department.

20 On February 16th, I supplied them with an
21 operating agreement that had been executed by Enron Oil and
22 Gas Company.

23 Subsequently, there were several conversations,
24 and they said they didn't want to re-enter the well. So on
25 March 14th, I made them an offer to -- on farm-in terms, so

1 they could farm in or we could farm in.

2 Q. At this point in time, no agreement has been
3 reached with Dalen; is that right?

4 A. That's correct.

5 Q. When you acquired your 50-percent interest in the
6 property from them, you did that in January of this year?

7 A. That's correct.

8 Q. In your opinion have you made a good-faith effort
9 to reach voluntary agreement with Dalen for the development
10 of this tract?

11 A. Yes, we have.

12 Q. Has Enron drilled other Bone Spring wells in this
13 area?

14 A. Yes, we have.

15 Q. Is Exhibit Number 5 an affidavit with an attached
16 letter confirming that notice of this hearing has in fact
17 been provided to Dalen in accordance with Oil Conservation
18 Division rules and regulations?

19 A. Yes, it is.

20 Q. Mr. Wentworth, has Enron made an estimate of the
21 overhead and administrative costs to be incurred while
22 drilling this well and also while producing it, if it is
23 successful?

24 A. Yes, we have.

25 Q. And what are those costs?

1 A. \$5000 per month for drilling, \$500 per month for
2 producing.

3 Q. And these are figures that have been submitted to
4 Dalen?

5 A. Yes, they were reflected in the joint operating
6 agreement that was submitted to them.

7 Q. And how do these figures compare to the figures
8 set forth in the *Ernst & Young* survey for well costs in
9 this area?

10 A. They're comparable.

11 Q. Do you recommend that these figures be
12 incorporated into the order that results from this hearing?

13 A. Yes, I do.

14 Q. Does Enron seek to be designated operator of this
15 well?

16 A. Yes, we do.

17 Q. Will Enron be calling geological and engineering
18 witnesses to review the technical portions of this case?

19 A. Yes, we will.

20 Q. Were Exhibits 1 through 5 either prepared by you
21 or compiled under your direction?

22 A. Yes, they were.

23 MR. CARR: At this time, Mr. Catanach, we move
24 the admission of Enron Exhibits 1 through 5.

25 EXAMINER CATANACH: Exhibits 1 through 5 will be

1 admitted as evidence.

2 MR. CARR: And that concludes my direct
3 examination of Mr. Wentworth.

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Mr. Wentworth, is it my understanding you
7 acquired your 50-percent interest from Dalen?

8 A. That's correct.

9 Q. And do you anticipate you will reach an agreement
10 with Dalen?

11 A. No, I don't. We've had extensive conversations.

12 EXAMINER CATANACH: I have nothing further, Mr.
13 Carr.

14 MR. CARR: Mr. Catanach, at this time we would
15 call Bruce Insalaco.

16 BRUCE G. INSALACO,

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

19 DIRECT EXAMINATION

20 BY MR. CARR:

21 Q. Will you state your name for the record, please?

22 A. My name is Bruce Insalaco.

23 Q. And where do you reside?

24 A. I reside at 2511 Camry in Midland, Texas.

25 Q. Mr. Insalaco, by whom are you employed and in

1 what capacity?

2 A. I am employed by Enron Oil and Gas as a division
3 geologic specialist.

4 Q. Have you previously testified before this
5 Division?

6 A. Yes, I have.

7 Q. At the time of that testimony, were your
8 credentials as a petroleum geologist accepted and made a
9 matter of record?

10 A. Yes, they were.

11 Q. Are you familiar with the Application filed in
12 this case?

13 A. Yes, I am.

14 Q. And have you made a geologic study of the area
15 that is involved in this Application?

16 A. Yes, I did.

17 MR. CARR: Are the witness's qualifications
18 acceptable?

19 EXAMINER CATANACH: Yes, they are.

20 Q. (By Mr. Carr) Mr. Insalaco, let's go to what has
21 been marked as Enron Exhibit Number 6. I'd ask you to
22 identify this and review it for the Examiner.

23 A. All right. Exhibit Number 6 is a net-porosity
24 isopach on the third Bone Spring sand, and that's our main
25 objective for the Jamaica Gulf Federal re-entry in the

1 northwest-northwest quarter of Section 20. Scale is one
2 inch to 2000 feet.

3 The legend on here, the yellow acreage is the
4 joint EOG-Dalen leasehold. The purple 40-acre block is the
5 proposed proration unit, with the proposed location
6 identified.

7 The only other third Bone Spring sand producer is
8 represented by a green dot, and that's in Section 14 of
9 Township 25 South, Range 34 East, approximately two and a
10 half miles to the northwest of the proposed location.

11 In terms of the isopach values on the map, the
12 datums, you'll note that there are only five deep
13 penetrations or five wells that penetrated the third Bone
14 Spring sand on the map.

15 Adjacent to the location there are two numbers.
16 The top number is net clean sand, and that's identified by
17 a 50-percent clean gamma-ray cutoff, setting a clean
18 limestone base and a hot shale base, and taking 50 percent
19 of that.

20 The other value is a net-porosity sand value, and
21 that's what is isopached on this map. And that has been
22 determined by a 10-percent or greater density porosity
23 cutoff from a log, electric log.

24 And on the wells that there were no density logs
25 available, I used a sonic. And the 10 percent is an

1 equivalent to a travel time of 66 microseconds per foot.

2 And then I went ahead and isopached those values.

3 And then, as you can see, there is no well
4 control within a mile or a mile and a half that penetrated
5 the proposed -- or penetrated the Bone Spring adjacent to
6 our proposed location. And again, you have to go two, two
7 and a half miles to the northwest to see other penetrations
8 of this sand.

9 The well in the northeast quarter of Section 14
10 is the Fairview 14 Federal Number 1. Enron Oil and Gas
11 re-entered that well in January of 1995, and the well IP'd
12 flowing only 26 barrels of oil a day and 28 barrels of
13 water, and we believe it's commercially not economic.

14 The other tests, deep tests over there, the south
15 half of Section 14 is an inactive Wolfcamp producer. It
16 produced from December of 1974 until 7 of 1976.

17 And then the other two datums up in the north --
18 up in the upper left-hand quarter of the plat, a well in
19 Section 11 and Section 2, are two dryholes that were TD'd
20 at approximately 15,500 feet.

21 We believe that, again demonstrating the risks,
22 there is no -- the only other third Bone Spring producer in
23 the vicinity of this test is a well that only IP'd for that
24 26 barrels a day and that there are no other shallower
25 formations that are commercially productive in this entire

1 area.

2 Q. Mr. Insalaco, we're not offering a structure map
3 in this hearing. How significant is structure in this area
4 in terms of making a commercial well?

5 A. We don't believe that structure is very critical
6 at all to the deal.

7 Q. Let's go to your cross-section, Exhibit Number 7.
8 Would you first review the line of cross-section for the
9 Examiner and then show the information on that exhibit?

10 A. Exhibit Number 7 is a cross- -- stratigraphic
11 cross-section of the third Bone Spring pay.

12 There's a plat on the left-hand side, showing the
13 line of section from west to east. It covers approximately
14 11 miles.

15 What I've done is, I've taken two of the re-
16 entries that Enron has recently completed. The first well
17 on the left is the Enron Oil and Gas, formerly Superior,
18 Ochoa Federal Number 1 well, located in Section 15,
19 Township 25 South, Range 33 East.

20 You can see the top of the datum is the top of
21 the third Bone Spring pay. The bottom of the third Bone
22 Spring pay sand is the top of the Wolfcamp marker,
23 radioactive shale marker.

24 You can see how I have identified this clean
25 baseline, and what I did is went up into the third -- or,

1 excuse me, into the upper Bone Spring lime section, and
2 that's where the gamma ray was -- had the lowest reading.

3 The shale baseline, I went to the shales in the
4 third Bone Spring upper Wolfcamp section, and where they
5 were peaking I drew the shale base.

6 I took then 50 percent of the gamma-ray values
7 that fall in between there, and I constructed the 50
8 percent, which represents a clean sand. And that is the
9 value I identified on the isopach map.

10 As you can see, there's quite a bit of sand
11 identified on that well, approximately 105 feet.

12 Then on the porosity or on the sonic side, I went
13 ahead and identified the 66 microseconds per foot, which
14 represents 10-percent porosity. And on this well there's
15 approximately 74 feet.

16 Enron, again, re-entered this well in January,
17 1995, and the well ended up IP'ing at 55 barrels a day and
18 64 barrels of water. And you can see some of the tests at
19 the base of the log.

20 Then moving over closer to the proposed location,
21 the Fairview 14 Number 1, which is also identified on the
22 isopach map as a Bone Spring producer, using the same
23 criteria for constructing a 50-percent gamma-ray cutoff,
24 and here this was a density -- a compensated-density
25 neutron log, using the 10-percent density as a porosity

1 cutoff. I have identified 39 feet of clean sand and 30
2 feet of porous, third Bone Spring sand.

3 And as you can see below, this well again was
4 re-entered in January of 1995 and IP'd flowing 26 barrels
5 of oil a day and 28 barrels of water.

6 And then moving finally to the third well, the
7 well at the right, this is the Enron Oil and Gas, formerly
8 Southland Royalty, our Jamaica Gulf Federal Number 1,
9 formerly the Gulf Federal Number 1, located in the
10 northwest-northwest of Section 20.

11 Again, I construct the same 50-percent gamma-ray
12 cutoff, and I've colored in yellow 93 feet of clean sand.
13 I've used the sonic 66 microseconds per foot to come up
14 with the 10-percent porosity cutoff. This well has 78
15 feet. And this is our proposed interval for this re-entry.

16 And again, to help identify the risk, you can see
17 how comparable this Jamaica Gulf Federal well appears to
18 the Ochoa Federal Number 1, which we recently re-entered.
19 And again, we believe it to be not commercially economic.

20 Q. Mr. Insalaco, will Enron also call a engineering
21 witness to review the risks associated with this re-entry?

22 A. Yes, we will.

23 Q. Were Exhibits 6 and 7 prepared by you?

24 A. Yes, they are.

25 MR. CARR: At this time, Mr. Catanach, we move

1 the admission of Enron Exhibits 6 and 7.

2 EXAMINER CATANACH: Exhibits 6 and 7 will be
3 admitted as evidence.

4 MR. CARR: And that concludes my direct
5 examination of Mr. Insalaco.

6 EXAMINATION

7 BY EXAMINER CATANACH:

8 Q. Mr. Insalaco, do you feel the geologic conditions
9 are more favorable in this proposed re-entry than they were
10 in the Ochoa well?

11 A. We hope so, but by log at character there really
12 doesn't appear to be that much of a difference. But we
13 wouldn't be doing it if we -- You know, we hope that we get
14 better results than that.

15 We have recently re-entered three, and Randy
16 Cate, engineer, will be addressing these. And I've
17 identified two, but all three of these re-entries that
18 we've done in the last few months have ended up in this
19 range of 20 to 30 barrels a day per well.

20 There is just no commercial Bone Spring
21 production -- third Bone Spring production in the vicinity
22 of our proposed test.

23 Q. Are there any other Bone Spring intervals that
24 might be productive?

25 A. There is no established commercial Bone Spring

1 production.

2 This well did also drill stem test an interval,
3 and I've annotated it on the cross-section where they got a
4 little bit of gas to surface, but too small to measure, and
5 recovered 210 foot of mud.

6 The pressures look as if the formation is very
7 tight.

8 Q. That's in the Bone Spring?

9 A. That's in the -- Yes, it would be in the second
10 Bone Spring sand. It would be part of the Bone Spring.

11 And I think you even have to go farther from the
12 proposed location to find second Bone Spring commercial out
13 in this area.

14 Q. And there's nothing -- To your knowledge, there
15 aren't any productive formations uphole from the Bone
16 Spring?

17 A. Correct. You can see on the isopach map there's
18 several other dryholes identified out here. These wells
19 TD'd from anywhere from 3400 to 7000 feet, mainly drilling
20 for the Delaware, and none of them were completed as
21 Delaware producers.

22 The original well, the Gulf Federal well, is
23 again -- You can see on the cross-section, it was
24 originally completed in 1968 as a Wolfcamp test down at
25 13,000 to 14,300. But that zone became inactive in April

1 of 1990. So nothing shallower.

2 Q. Are you requesting a 200-percent risk penalty on
3 this?

4 A. Yes, sir, we are.

5 MR. CARR: Yes, we are.

6 EXAMINER CATANACH: Okay. Did -- Was that
7 testified to, or did --

8 MR. CARR: No, Mr. Cate will testify to that.

9 EXAMINER CATANACH: Okay. I have nothing further
10 of the witness. You may be excused.

11 THE WITNESS: Thank you.

12 MR. CARR: At this time, we call Randy Cate.

13 RANDALL S. CATE,

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

16 DIRECT EXAMINATION

17 BY MR. CARR:

18 Q. Would you state your full name and place of
19 residence?

20 A. It's Randall Cate, C-a-t-e, from Midland, Texas.

21 Q. By whom are you employed and in what capacity?

22 A. I'm employed by Enron Oil and Gas as a reservoir
23 engineer.

24 Q. Mr. Cate, have you previously testified before
25 this Division and had your credentials as a petroleum

1 engineer or reservoir engineer accepted and made a matter
2 of record?

3 A. Yes, I have.

4 Q. Are you familiar with the Application filed in
5 this case?

6 A. Yes, I am.

7 Q. Are you familiar with the area that is the
8 subject of this Application?

9 A. Yes.

10 MR. CARR: Are the witness's qualifications
11 acceptable?

12 EXAMINER CATANACH: They are.

13 Q. (By Mr. Carr) Mr. Cate, would you refer to what
14 has been marked for identification as Enron Oil and Gas
15 Company Exhibit Number 8, identify this and then review the
16 information on the exhibit for the Examiner?

17 A. Yes, this is a summary of the well proposal and
18 risks for the Jamaica Gulf Federal Number 1 re-entry.

19 I'll just briefly summarize that the re-entry
20 costs that we've AFE'd are \$422,500. That assumes a smooth
21 re-entry operation, which you never know until you get to
22 the targeted depth of what kind of problems could occur.

23 There is some cut casing in the hole -- I believe
24 it's a 7-5/8-inch -- that we have to stab into, but that
25 should be the only problem. And once we get through that

1 cut casing, it would be smooth from there.

2 So there's always the possibility of unforeseen
3 mechanical risks there.

4 The AFE costs do not reflect artificial lift and
5 tubing. These wells, they're very tight in nature.
6 Permeabilities range from .05 to .2 millidarcies.
7 Bottomhole pressures in the 9000-pound range, so they will
8 flow. Even if they're poor economically, they will still
9 flow.

10 The Ochoa well that Mr. Insalaco referred to
11 earlier, we had put that on pump and put tubing in there,
12 and it did not actually increase the production because of
13 the tight nature of the reservoir. So if we were to put
14 artificial lift and tubing, then that would add another
15 \$115,000 for total cost here, potentially of \$537,500.

16 Additionally, the well will require fracture
17 stimulation before we can determine the commerciality.

18 Just for reference, a drill well -- not a re-
19 entry operation but a drill well -- is AFE'd at \$690,000.

20 We've recently done two re-entries and one
21 recompletion in two townships in this area. None are
22 commercial successes. I list the three of them there, with
23 their locations, the completion date and the current -- as
24 of last week, the current daily ratio -- or that should be
25 current daily production.

1 As you can see, the Fairview 14 and the Ochoa Fed
2 Number 1, which Mr. Insalaco referred to and are on the
3 cross-section, current rates, nine barrels of oil per day
4 and 15 barrels of oil per day. These do not meet economic
5 criteria to -- in rate of return or payout on an expense of
6 this nature, of AFE nature.

7 Q. Mr. Cate, are you prepared to make a
8 recommendation to the Examiner concerning the risk penalty
9 that should be assessed against nonconsenting interest
10 owners?

11 A. Yes, I am.

12 Q. And what do you recommend that penalty be?

13 A. I believe the penalty should be a 200-percent
14 penalty.

15 Q. Just briefly summarize the basis for that
16 recommendation.

17 A. The recommendation would be based on the fact
18 that we've had three attempts of a similar nature that are
19 deemed noncommercial. This re-entry is of a wildcat
20 nature, according to engineering standards and SEC
21 guidelines.

22 The permeability of the rock is what I see as the
23 primary risk, whether we can produce at rates high enough
24 to give us a decent rate of return. And the chances are,
25 even if the well is a producer, it will have to lower rates

1 in order to provide an economic return.

2 Q. Mr. Cate, if this well is drilled and in fact is
3 a successful well, will it recover hydrocarbons that
4 otherwise would be left in the ground?

5 A. Yes, it would.

6 Q. Will approval of this Application otherwise be in
7 the best interests of conservation, the prevention of waste
8 and the protection of correlative rights?

9 A. Yes.

10 Q. Was Exhibit Number 8 prepared by you?

11 A. Yes, it was.

12 MR. CARR: Mr. Catanach, at this time we move
13 admission of Enron Exhibit Number 8.

14 EXAMINER CATANACH: Exhibit 8 will be admitted as
15 evidence.

16 MR. CARR: And that concludes my examination of
17 Mr. Cate.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Mr. Cate, the proposed re-entry costs, are those
21 in line with the re-entry costs you've experienced on the
22 previous two wells?

23 A. Yes, they are. I compared the re-entry cost on
24 all -- Well, the Fairview and the Javelina were re-entries
25 just like this. Their costs to date are in the \$400,000-

1 to-\$450,000 range.

2 The Ochoa was a recompletion from a deeper
3 producing interval, and so it was just -- it did not have
4 the actual re-entry costs associated with it, but it does
5 have the artificial lift included, and we are up over
6 \$400,000 on it also, so these -- I have compared these
7 costs to the others experienced.

8 EXAMINER CATANACH: I have nothing further, Mr.
9 Carr.

10 MR. CARR: Mr. Catanach, that concludes our
11 presentation in this case.

12 EXAMINER CATANACH: Okay. There being nothing
13 further in this case, Case 11,231 will be taken under
14 advisement.

15 (Thereupon, these proceedings were concluded at
16 8:45 a.m.)

17 * * *

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I do hereby certify that the foregoing is
a true and correct copy of the proceedings in
the hearing of Case No. 1031,
on April 6 1995.
David R. Catanach, 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 April 12th, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998