

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY
FOR COMPULSORY POOLING AND A NON-STANDARD
GAS PRORATION AND SPACING UNIT, SECTIONS 9, T31N-
R10W, NMPM SAN JUAN COUNTY, NEW MEXICO**

CASE NO. 11808

**RESPONSE OF TIMOTHY B. JOHNSON, TRUSTEE FOR RALPH A. BARD, JR.
TRUST U/A/D FEBRUARY 12, 1983 ET AL. IN OPPOSITION TO BURLINGTON'S
MOTION TO QUASH**

Timothy B. Johnson, Trustee for Ralph A. Bard, Jr. Trust U/A/D February 12, 1983 et al. ("GLA-66 Owners") for their response to Burlington Resources Oil and Gas Company's ("Burlington") Motion to Quash state:

I.

FACTUAL BACKGROUND

1. On April 29, 1997 James R. J. Strickler, Senior Staff Landman for Burlington submitted to the GLA-66 Owners a proposed Well Cost Estimate, Authority for Expenditure, and Joint Operating Agreement for Burlington's proposed Scott Well No. 24 (the "Scott Well"). Burlington proposed to drill this well in on 640 acre spacing in Section 9, T31N-R10W to a depth of 14,000 feet at an estimated total completed cost of \$2,316,973.

2. On a 640-acre spacing unit, the GLA-66 Owners collectively hold over 60% of the working interest in Burlington's proposed Scott Well and, as such, would contribute over 60% of the costs of drilling and completing this well.

3. On May 9, 1997, J. E. Gallegos, on behalf of the GLA-66 Owners sent a letter to Mr. Strickler requesting, inter alia, an opportunity to review and/or discuss Burlington's data and information that supported the drilling of the highly risky and expensive Scott Well in which Burlington requested the GLA-66 Owners to participate. See Letter attached hereto as Exhibit "A". Mr. Gallegos noted that the requested data was necessary to make an informed judgment concerning the proposed well and assured Mr. Strickler that the data would be treated with strict confidentiality. Id. However, Burlington flatly refused to share any of its data or information supporting the drilling of this well.

4. Due to the total lack of information from Burlington upon which to make an informed decision concerning the drilling of the Scott Well, as well as the unreasonable terms of Burlington's tendered Joint Operating Agreement, the GLA-66 Owners chose not to voluntarily participate with Burlington in drilling the Scott Well.

5. On June 12, 1997, Burlington filed its application in NMOCD Case No. 11808 seeking, inter alia, an Order from the Division compulsory pooling all of Section 9, T31N, R10W, NMPM San Juan County, New Mexico for the Scott Well.

6. Prior to the hearing, the GLA-66 Owners filed a Motion for Continuance and served Burlington with a Subpoena Duces Tecum in order to have both the time and documents necessary to fully prepare their case in opposition to Burlington's Application. The GLA-66 Owners' Motion for Continuance was denied by the assigned hearing examiner two days before the hearing on June 8, 1997, and their Subpoena Duces Tecum was quashed the day before the hearing. In addition, the assigned hearing examiner informed undersigned counsel the day before the hearing that Burlington's geophysicist, who had been duly subpoenaed to testify at the hearing, need

not attend.¹ The Division's rush to hearing and denial of both documentary and testimonial evidence severely prejudiced the GLA-66 Owners' preparation and presentation of their case in opposition to Burlington's Application.

7. At the Division hearing, Burlington's witnesses testified that Burlington had shared its "confidential and proprietary" technical data with other working interest owners, such as Amoco and Cross Timbers, who own acreage in and/or around Section 9, to allow them to make an informed decision on whether or not participate. See Hearing Transcript attached hereto as Exhibit "B" at pp. 70 and 71.² Burlington **never** suggested any arrangements and/or conditions under which this information could be made available to the GLA-66 Owners, though the GLA-66 Owners offered to enter into confidentiality agreements.

8. On September 12, 1997, the Division issued its order No. R-10877 ordering, inter alia, the pooling of all interests below the base of the Dakota formation in Section 9 for Burlington's proposed Scott Well No. 24. The GLA-66 Owners' operating rights in Section 9 were ostensibly pooled by Order No. R-10877.

9. On October 9, 1997, the GLA-66 Owners filed their application for a hearing *de novo* before the Commission. On November 25, 1997, the GLA-66 Owners obtained from the Commission and served upon Burlington their subpoena duces tecum seeking the production of certain specific documentary evidence necessary to fully prepare their case in opposition to Burlington's Application. The GLA-66 Owners

¹ At the hearing, the Hearing Examiner and the Division Counsel stated that their decision was largely based upon Burlington's listing of a geologist witness in its pre-hearing statement. However, Burlington's geologist witness did not appear at the hearing and the GLA-66 Owners had no opportunity to develop any geological evidence concerning Burlington's Application.

² Ironically Amoco and Cross Timbers are Burlington's active competitors while the GLA-66 Owners neither drill nor operate any wells in the San Juan Basin.

have also obtained from the Commission and have served subpoenas compelling Mr. David Schoderbek, a Burlington geophysicist, and Mr. William Bolla, a Conoco geophysicist,³ to appear at the hearing *de novo* of this case.

II. ARGUMENT AND AUTHORITIES

POINT ONE: THE GLA-66 OWNERS' RIGHT TO A FULL AND FAIR HEARING REQUIRE THAT THEY BE ABLE TO CROSS-EXAMINE WITNESSES, INSPECT DOCUMENTS AND OFFER EVIDENCE SOUGHT BY THEIR SUBPOENAS

Administrative proceedings must conform to fundamental principles of justice and the requirements of due process of law. See *Yadon v. Quinoco Petro., Inc.* 114 N.M. 808, 845 P.2d 1262. (Ct. App. 1992) (Donnely, J. dissenting)(citing *Uhden v. New Mexico Oil Conservation Comm'n*, 112 N.M. 528, 530, 817 P.2d 721, 723 (1991).) Where administrative proceedings deprive a party of a fair and full hearing, with opportunity to cross-examine witnesses, inspect documents, offer evidence in explanation or rebuttal, and to be fully apprised of evidence, **there is no hearing.** Id. (citing *Transcontinental Bus Sys., Inc. v. State Corp. Comm'n*, 56 N.M. 158, 179, 241 P.2d 829, 842 (1952)(emphasis added). Without the ability to inspect the documents and cross examine the witnesses subpoenaed, the GLA-66 Owners will be deprived of the fair and full hearing which they are entitled under the law. See *Transcontinental Bus Sys., Inc. v. State Corp. Comm'n supra*.

The law favors liberal discovery in any proceeding. *Carter v. Burns Constr. Co.*, 85 N.M. 27, 31, 508 P.2d 1324, 1328 (Ct. App. 1973); *cert denied*, 85 N.M. 5, 508 P.2d 1302 (1973). The applicable relevance standard in discovery is also broadly

³ Testimony elicited at the division hearing of this case established that Conoco is Burlington's joint venture partner in, inter alia, the drilling of the Scott Well.

construed. Smith v. MCI Telecommunications Corp., 137 F.R.D. 454, 463 (S.D.N.Y.)

The documentary and testimonial evidence sought by the GLA-66 Owners pursuant to their subpoenas is clearly “pertinent” evidence within the meaning of NMSA 1978 Section 70-2-8 that will no doubt play a significant role in the Commission’s *de novo* review of this case. For example, the issue of risk is always a part of any compulsory pooling proceeding and is certainly at issue in this appeal. See Viking Petroleum, Inc. v. Oil Conservation Comm'n, 100 N.M. 451, 672 P.2d 280, (1983). As discussed in detail below, the evidence sought by the GLA-66 Owners’ subpoenas is directly relevant to the technical risk associated with Burlington’s proposed Scott Well.

This *de novo* proceeding under NMSA 1978 Section 70-2-13 is the final opportunity afforded the parties to establish a record in the event of further appeals. See Viking Petroleum, Inc. v. Oil Conservation Comm'n, 100 N.M. 451, 453, 672 P.2d 280, 282 (1983)(appellate court’s review is limited to the evidence presented to the Commission, and the administrative findings by the Commission should be sufficiently extensive to show the basis of the order.) Accordingly, absent full and complete compliance with the subpoenas, the GLA-66 Owners will be unable to make a complete presentation of relevant evidence to the Commission and due process will be dis-served as a result. The Commission should enforce the subpoenas to accord a full and fair hearing in accordance with the fundamental principals of due process guaranteed by both the New Mexico and United States Constitutions.

POINT TWO: IT IS A COMMON CUSTOM AND PRACTICE IN THE INDUSTRY TO SHARE CONFIDENTIAL, PROPRIETARY TECHNICAL WELL DATA

Decisions concerning whether or not to participate in risky and expensive wells,

such as Burlington's proposed Scott Well, should not be made blindly. Nor should such decisions be driven by the coercive conduct of the prospective operator. Rather, such decisions are normally based upon a non-operating party's informed judgment after a careful analysis of the data and information supporting the project.

At the Division hearing of this case held on July 10-11, 1997, testimony from three experienced industry professionals unambiguously established that it is a standard custom and practice in the industry for an operator seeking participation of his joint owners to share technical information to interest and inform other parties in a prospective well. Of course, Burlington may be seeking non-participation contrary to its statutory duty to exert good faith to obtain voluntary agreement pursuant to NMSA 1978, Section 70-2-18A.

Tom Moore, a long time industry participant with significant knowledge and experience in proposing wells and in responding to other operator's proposals, testified as follows:

Q. Okay. Now, what has been the common practice that you have followed, and what has been your experience in following that practice, in regard to being able to obtain information from the proponent of the well in order for you to make a decision whether or not to participate?

A. Well, normally, we receive structural maps, cross-sections, seismic information, this sort of thing, prior, so we'll know what we're doing. This is the industry norm, whether it be in New Mexico or whether it be in Oklahoma or Texas. And I've been on both sides of this fence, selling units and taking part in them, and wells, so I know what the norm is on both sides of it. If we put together a drilling block and try to sell it, we furnish all the information we have on it.

* * *

Q. Okay. And have you received seismic before from others - -

A. Oh, sure.

Q. Who have drilled wells?

A. That's the industry norm, is -- other wells, sure, when you're going to -- when there's, you know, we see some reason for drilling the well.

Hearing Transcript attached hereto as Exhibit "B" at pp. 255-256; 259.

Likewise, Gail Cotton testified that operators are "usually cooperative with supplying information." See Id at p. 219. Debra Gilchrist, Manager of Land Administration and the New Mexico-West Texas land for Total Minatome Corporation, with over twenty-two years of land administration experience, testified that Total's geologist "requested me to try and obtain for [sic] Mr. Strickler, as is customary with any exploratory proposed well, to get some seismic geology, anything that we could use." . . . " . . .without geology, our senior geologist, Brad Watts, could not make a determination to farm out at that time without seeing any geology, which is customary. See Id at p. 291; 303-304.

Burlington argues that its technical data is highly confidential and proprietary and cannot be shared with the GLA-66 owners because they are potential competitors with Burlington. See Burlington's Motion at p. 10. However, when it suited its purposes, Burlington freely shared its "confidential and proprietary" technical data with working interest owners, such as Amoco and Cross Timbers, who own acreage surrounding the wells, to allow them to make an intelligent decision on whether or not participate in the wells. See Hearing Transcript attached hereto as Exhibit "B" at pp. 70 and 71.⁴ In stark contrast, the GLA-66 Owners were flatly denied access to Burlington's technical

⁴ Ironically Amoco and Cross Timbers are competitors while Moore and the GLA-66 owners are owners who neither drill nor operate any wells in the San Juan Basin.

information. Unlike it had done with other working interest owners, Burlington never suggested any arrangements and/or conditions under which this information could be made available to the GLA-66 Owners, though they offered to enter into confidentiality agreements.

Burlington's selective access to its technical data for some parties and absolute denial to others is contrary to established custom and practice in the oil and gas industry and falls short of the statutory requirement in New Mexico that a party undertake reasonable efforts to obtain voluntary joiner of all working interest owners prior to seeking a compulsory pooling order from the Division. Certain of the evidence sought by the GLA-66 Owners pursuant to their subpoenas goes directly to the issue of Burlington's good faith in its efforts to obtain voluntary participation in its Scott Well.

POINT THREE: TO REQUIRE THE GLA-66 OWNERS TO OBTAIN THEIR OWN TECHNICAL INFORMATION IN ORDER TO PROTECT THEIR CORRELATIVE RIGHTS CREATES ECONOMIC WASTE AND CAUSES UNNECESSARY EXPENSE

Burlington's trite response to the GLA-66 Owners' request for technical information is for them to go out and acquire their own.⁵ This is an untenable "solution" for at least two reasons. First, it would have been impossible for the GLA-66 Owners to obtain the requisite agreements and government approvals and to employ contractors in order to shoot lines, and interpret seismic and other information within the time frame allowed them. Burlington submitted its proposed Joint Operating Agreement and well cost estimate to the GLA-66 Owners' on April 29 1997. Its applications for compulsory pooling were filed on June 10th and 11th, 1997. The

⁵ See Burlington's Motion at p. 11 ("If the GLA-66 Group believes they need such [seismic]information, then they can go out and purchase their own study.")

hearing on these applications was held on July 10-11, 1997. As noted above, Burlington and Conoco, who both have large in-house geophysical, geological, engineering, and land teams, have been studying the Deep Pennsylvanian formation for over **two and one-half years**. To suggest that the GLA-66 Owners could undertake a similar investigation within a two to three month period is beyond ridiculous.

Second, such a duplicative effort by the GLA-66 Owners would necessarily result in needless expense and economic waste to these individuals in order for them to protect their correlative rights. Pursuant to NMSA 1978 Section 70-2-11, the New Mexico legislature mandated that **it is its duty** of the Division to prevent waste and to protect correlative rights. Id. (emphasis added.) Further, the legislature, pursuant to NMSA 1978 Section 70-2-17, mandated that Division pooling orders “**shall** be upon such terms and conditions as are **just and reasonable** and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive **without unnecessary expense** his just and fair share of the oil or gas, or both.” Id. (emphasis added.)

POINT FOUR: BURLINGTON'S VOLUNTARY PARTIAL DISCLOSURE OF INFORMATION TO THE GLA-66 OWNERS CREATES A DUTY OF FULL DISCLOSURE

It is universally recognized that one who assumes to speak when under no duty to do so cannot suppress pertinent facts or state less than the whole truth. MSA Tubular Products, Inc. v. First Bank & Trust Co., 869 F.2d 1422 (10th Cir. 1989). To reveal some information on a subject triggers the duty to reveal all known material facts. Wirth v. Commercial Resources, Inc., 96 N.M. 340, 630 P.2d 292, cert. denied,

96 N.M. 543, 632 P.2d 1181 (Ct. App. 1981); see also R.A. Peck, Inc. v. Liberty Fed. Sav. Bk., 108 N.M. 84 (Ct. App.1988).

James R. J. Strickler, Senior Staff Landman for Burlington was the Burlington employee tasked with consolidating the working interests and operating rights interests in Section 9, T31N, R10W, San Juan County New Mexico for the Scott Well. See Hearing Transcript attached hereto as Exhibit "A" at p. 27. In various of his correspondence and conversations with the GLA-66 Owners and/or their representatives, Mr. Strickler volunteered information concerning the risk Burlington associated with the Scott Well. Particularly, Mr. Strickler informed certain of the GLA-66 Owners at various times that the Scott Well was "very high-risk, ten-percent chance of success", that he personally would not invest in the well, and that they would be "better off putting their money in the stock market." See Hearing Transcript attached hereto as Exhibit "B" at p. 77.

Burlington's "Deep Penn" Team, along with a cohort team from its joint venture partner, Conoco, has been actively studying the prospect of a Deep Pennsylvanian play in the San Juan Basin for at least two and one-half years. See Hearing Transcript attached hereto as Exhibit "B" at p. 65. Burlington has undertaken an extensive geological and geophysical study of the Deep Pennsylvanian formation employing, among other resources, three-dimensional ("3-D") seismic studies. Indeed, as an end result of this effort, Burlington and Conoco's geologists and geophysicists chose the precise location for the wells based on their "studies". Hearing Transcript attached hereto as Exhibit "A" at p. 91. Burlington and Conoco obviously bring highly skilled personnel to this project.

The 3-D seismic data obtained by Burlington and Conoco has undoubtedly yielded valuable information concerning the drilling targets which in effect decrease the level of technical risk associated with drilling the particular geologic structures Burlington is targeting. As noted in a recent Rocky Mountain Mineral Law Institute article:

If 3D seismic data are properly gathered, properly processed, and properly interpreted, much can be learned about the subsurface. Resulting images, measurements, and calculations are substantially improved over 2D seismic. As with 2D seismic data, geologic structures can be identified. However, with 3D seismic data under appropriate conditions, subsurface structures can be imaged in much greater detail with far greater accuracy. That is, we can image a structure, measure its depth and thickness, and, as never before, calculate its volume directly from the seismic data. Under appropriate conditions, the specific type of rock can be identified and its variability across the structure can be determined and mapped. Porosity and its variations may also be determined throughout the rock. From porosity, permeability may be inferred. Moreover, the contents of the pores (e.g., oil vs. gas vs. water) can be identified. Finally, if seismic data are gathered through time (i.e. 4D seismic data), the drainage pattern of a reservoir can be traced and lenses of by-passed hydrocarbons can be identified, resulting in greater hydrocarbon recovery.

Anderson and Pigott, 3D Seismic Technology: Its Uses, Limits, & Legal Ramifications, 42 Rocky Mtn Min. L. Inst. 16, 16-61-62. (1996). As such, given the benefit of its extensive 3D seismic studies in the San Juan Basin, it is likely that Burlington is targeting a highly detailed and well defined geologic structure and has developed information concerning its depth, thickness and expected volume recovery. All of this information is relevant to the level of technical and economic risk associated with the wells.

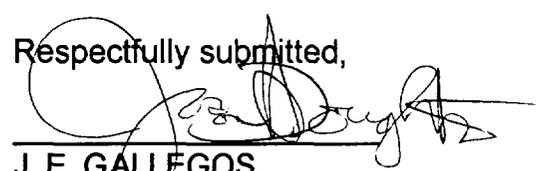
It is highly probable that Burlington's technical data puts the lie to the 10% risk factor that Mr. Strickler's disclosed to the GLA-66 Owners. Rather, Burlington, through

Mr. Strickler, could have floated this high-risk story in order to negatively influence the decision of the GLA-66 Group's decision concerning whether or not to participate in the wells and/or sell or farmout their deep gas operating rights to Burlington. Regardless of its motivation, once Burlington, through Mr. Strickler, undertook to speak concerning the risk associated with its proposed Deep Pennsylvanian test wells, it had a legal obligation to reveal the **whole truth** about the risk associated with these wells. See e.g. Wirth v. Commercial Resources, Inc., supra.; R.A. Peck, Inc. v. Liberty Fed. Sav. Bk., supra. Burlington's voluntary disclosure of information creates a duty to disclose the whole truth necessary to avoid misleading the GLA-66 owners, even if no duty between the parties previously existed.

III. CONCLUSION

For the foregoing reasons, the Commission should deny Burlington's Motion to Quash and order production of the requested documentary and testimonial evidence sought by the GLA-66 Owners in their subpoenas.

Respectfully submitted,



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(505) 983-6686

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was served upon the following counsel of record and Commissioners this 3rd day of December, 1997

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117 N. Guadalupe
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Attorneys for Burlington Resources Oil & Gas Co. VIA HAND DELIVERY

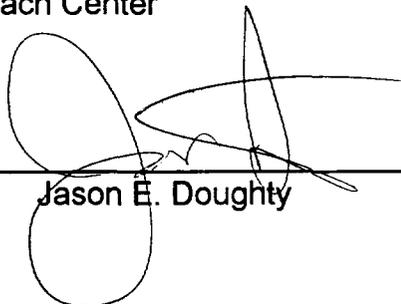
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State Land Office
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Mr. Bill Weiss
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May 9, 1997
(Our File No. 92-170.00)

J.E. GALLEGOS *

James R. J. Strickler
Senior Staff Landman
Burlington Resources
San Juan Division
3535 East 30th Street
Farmington, New Mexico 87499-4289

Re: Scott #24 Well Pennsylvania Formation

Dear Mr. Strickler:

This is written in reference to your letter of April 29, 1997 to "Working Interest Owners." We represent all of those owners on your Exhibit "A" attached indicated by a check mark. As you know, those parties hold federal lease SF 078389 which includes the E/2 and SW/4 of Section 9, and so a G.W.I. in that section of almost 65%.

In order to make a informed judgment concerning Burlington's preferred AFE and Operating Agreement for an exploratory well having a dry hole cost of \$1.713 million considerable information is needed. Accordingly, it is requested that Burlington provide immediately its complete work-up on the proposed well, geological studies and seismic data and any other technical information relied on. Please also provide the technical basis for seeking to include the entire Section 9 under the Operating Agreement for the well when, under NMOCD spacing for wildcat wells, the Scott 24 can be drilled on the 160-acres of the NW/4.

We agree that the information provided will be treated with strict confidentiality. Of course, consultation by technical experts will be used by our clients but the consultants will also be subject to the customary confidentiality restrictions.

I will appreciate a response from you as soon as possible.

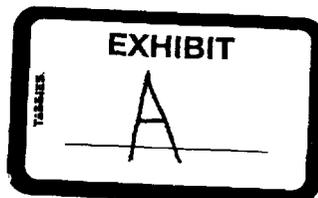
Sincerely,

GALLEGOS LAW FIRM, P.C.

By 
J.E. GALLEGOS

JEG:sa

fxc: John Cooney
John Bemis
Steve Hunsicker



* New Mexico Board of Legal Specialization
Recognized Specialist in the area of
Natural Resources-Oil and Gas Law

ioc: Jason E. Doughty
Caroline C. Woods
bcc: Executive Committee

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated April 1, 1997, by and between BURLINGTON RESOURCES OIL & GAS COMPANY, as Operator, and as Non-Operators.

I. LANDS SUBJECT TO OPERATING AGREEMENT:

Township 31 North, Range 10 West
Section 9: Lots 1-12, N/2 N/2
San Juan County, New Mexico
containing 636.01 acres, more or less

II. RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS:

Limited to all depths below the Dakota formation.

III. ADDRESSES AND WORKING PERCENTAGE INTERESTS OF PARTIES TO THIS AGREEMENT:

Burlington Resources Oil & Gas Company c/o Land Department P.O. Box 4289 Farmington, New Mexico 87499 Main # 505-326-9700 Fax # 505-326-9781	OPERATOR 10.311905%
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NON-OPERATORS

<u>Working Interest Owners</u>	<u>GWI</u>
CONOCO INC. 10 DESTA DRIVE , SUITE 100W MIDLAND, TX 79705-4500	10.311905%
AMOCO PRODUCTION COMPANY P.O. BOX 800 DENVER, CO 80201	10.175500%
TOTAL MINATOME CORP. 2 HOUSTON CENTER, SUITE 2000 909 FANNIN P.O. BOX 4326 HOUSTON, TX 77210-4326	3.553900%
LEE WAYNE MOORE AND JOANN MONTGOMERY MOORE, TRUSTEES 403 N. MARIENFIELD MIDLAND, TX 79701	0.294805%

EXHIBIT "A" CONT.

GEORGE WILLIAM UMBACH 2620 S. MARYLAND PKWY. #496 LAS VEGAS, NV 89109	.369518%
ROBERT WARREN UMBACH P.O. BOX 5310 FARMINGTON, NM 87499	.369518%
LOWELL WHITE FAMILY TRUST C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-0500	.037019%
WALTER A. STEELE C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.037019%
ESTATE OF G. W. HANNETT C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.030850%
T. G. CORNISH C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.024680%
PATRICIA HUETER C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.006171%
MARY EMILY VOLLER C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.006170%
A. T. HANNETT C/O SUNWEST BANK OF ALBUQUERQUE, N.A. ATTN: CATHERINE RUGEN P.O. BOX 26900 ALBUQUERQUE, NM 87125-6900	.006170%
HOPE G. SIMPSON C/O SIMPSON ESTATES INC. 30 N. LASALLE, STE 1232 CHICAGO, IL 60602-2504	0.651006% ✓

EXHIBIT "A" CONT.

NANCY H. GERSON (FKA NANCY H. HASKENS)
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ROBERT P. FITTING
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SIERRA VISTA, AZ 85636-2588

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CATHERINE H. RUML
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MARY S. ZICK (FKA NANCY S. ZICK)
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GREENWICH, CT 06831

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0.164464%

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SANTA BARBARA, CA 93108

1.205033%

MARY F LOVE
4005 PINOLE VALLEY RD.
PINOLE, CA 94564

0.102790%

JAMES C. BARD
7454 N. DESERT TREE DR.
TUCSON, AZ 85704

0.164464%

WILLIAM P. SUTTER
THREE FIRST NATL PLAZA
ROOM 4300
CHICAGO, IL 60602

0.685295%

EXHIBIT "A" CONT.

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1070 N. ELM TREE RD
LAKE FOREST, IL 60045

1.205003%



ALBERT L. HOPKINS JR
P O BOX 67
DANBURY, NH 03230-0067

0.456838%



KAY B. GUNDLACH (FKA KAY B. TOWLE)
FEARINGTON POST 247
PITTSBORO, NC 27312

0.164464%



VIRGINIE W. ISHAM
P O BOX 307
LAKE FORREST, IL 60045

0.602501%



ELEANOR ISHAM DUNNE
728 ROSEMARY RD.
LAKE FOREST, IL 60045

1.525335%



JOHN M SIMPSON & WILLIAM
SIMPSON TR U/W JAMES SIMPSON J.
C/O TRUST CO OF NEW YORK
ATTN: BARRY WALDORF
114 WEST 47TH STREET
NEW YORK, NY 10036

3.906037%



MICHAEL SIMPSON TRUST
C/O U S TRUST CO OF NEW YORK
ATTN: BARRY WALDORF
114 WEST 47TH STREET
NEW YORK, NY 10036

2.996042%



PATRICIA SIMPSON TRUST
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JAMES F CURTIS
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SUCCESSOR TRUSTEE U/A/D 2-9-79
FBO JAMES F CURTIS
C/O SIMPSON ESTATES
30 N LASALLE STE 1232
CHICAGO, IL 60602-504

0.651006%



GWENDOLYN S. CHABRIER
PATRICK J. HERBERT III
SUCCESSOR TRUSTEE U/A/D 2-9-79
FBO GWENDOLYN S. CHABRIER
C/O SIMPSON ESTATES
30 N LA SALLE ST #1232
CHICAGO, IL 60602-2503

0.651006%



EXHIBIT "A" CONT.

WILLIAM SIMPSON TRUST
 PATRICK J HERBERT III
 SUCCESSOR TRUSTEE OF THE
 WM SIMPSON TRUST DTD 12-17-79
 30 N LASALLE STE 1232
 CHICAGO, IL 60602-2504

1.953018%



HENRY P ISHAM JR DECD
 FIRST NATL BANK CHICAGO AGENT
 VW & RT ISHAM TRUSTEES
 UWO HENRY P ISHAM JR DECD
 1400 ONE DALLAS CENTER
 DALLAS, TX 75201

0.602501%



CORTLANDT T. HILL TRUST
 1ST TRUST NA & GAYLORD W
 GLARNER TRSTEE UA DTD 9/16/74
 C/O COLORADO NATIONAL BANK
 PO BOX 17532 (CNDT 2332)
 DENVER, CO 80217

0.411162%



MARTHA M LATTNER TRUST
 JAMES E PALMER SUCCESSOR
 TRUSTEE U/T/A DTD 2/21/63
 FBO MARTHA M LATTNER SETTLOR
 PO BOX 29352
 SAN FRANCISCO, CA 94129-0352

1.027904%



ROBERT D. FITTING
 # 406 N. BIG SPRINGS #200
 MIDLAND, TX 79701

0.934459%

W. WATSON LAFORCE JR
 PO BOX 353
 MIDLAND, TX 79701

1.111146%



J. ROBERT JONES
 1205 W PECAN
 MIDLAND, TX 79705

1.868917%

ROBERT B. FARNHAM
 ST MARYS POINT
 16757 S. 25TH ST
 LAKELAND, MN 55043

0.102790%



CHARLES WELLS FARNHAM JR
 ST MARYS POINT
 16825 S. 25TH ST
 LAKELAND, MN 55043

0.102790%



LOUIS W. HILL JR
 PO BOX 64704
 ST. PAUL, MN 55164

2.466971%



EXHIBIT "A" CONT.

RALPH A BARD JR , TRUSTEE
 (FKA RALPH A. BARD, JR. TRUST)
 U/A/D FEBRUARY 12, 1983
 SUITE 2320
 135 S. LA SALLE ST.
 CHICAGO, IL 60603-4108

1.233484%



RALPH AUSTIN BARD JR.
 (FKA RALPH A. BARD, JR. TRUST)
 TRUSTEE U/A/D 7-25-49
 135 S. LA SALLE STREET
 SUITE 2320
 CHICAGO, IL 60603-4108

8.061201%



GUY R. BRAINARD JR. TRUSTEE, OF
 THE GUY R. BRAINARD JR TRUST
 DATED 9/9/82
 RR 6 BOX 281
 BROKEN ARROW, OK 74014

0.251294%



RALPH U. FITTING JR, TRUST
 PO BOX 782
 MIDLAND, TX 79702

3.737834%

SABINE ROYALTY TRUST
 C/O PACIFIC ENTERPRISES
 ABC CORPORATION
 ATTN: SARA WILLIAMS
 3131 TURTLE CREEK BLVD.
 DALLAS, TX 75219

0.626723%



JUDITH SHAW TRUST
 U/A/D 4-14-66
 THOMASVILLE RT. BOX 60-B
 BIRCH TREE, MO 65438

1.021342%



NANCY C. BARD LISA BARD FIELD
 SHARON BARD WALES & TRAVIS
 BARD IND & COLLECTIVELY AS
 CO TRUSTEES U/C/O DTD 10-7-86
 609 RICHARDS LAKE RD.
 FT COLLINS, CO 80524

0.164464%



ELIZABETH T. ISHAM TRUST
 ROBERT T. ISHAM & G.S. ISHAM &
 FIRST NATL BANK OF CHICAGO TRUST
 8150 N. CENTRAL EXPY, STE 1211
 DALLAS, TX 75206-1831

0.822323%



ROGER D. SHAW JR, TRUST
 U/A/D 8-27-62
 THOMASVILLE RT. BOX 60-B
 BIRCH TREE, MO 65438

1.268039%



WILLIAM W. SHAW TRUST
 U/A/D 12-28-63
 THOMASVILLE RT BOX 60-B
 BIRCH TREE, MO 65438

1.268039%



EXHIBIT "A" CONT.

DIANE DERRY
736 HINMAN AVE #1W
EVANSTON, IL 60202

0.139272% ✓

JOAN DERRY
P.O. BOX 866
TESUQUE, NM 87574

0.139272% ✓

ANTHONY BARD BOARD
BANK OF AMERICA ILLINOIS
ATTN: DEAN KELLY
PO BOX 2081
CHICAGO, IL 60690

0.414787% ✓

DOROTHY M. DERRY
2648 E WORKMAN AVE., STE 211
W. COVINA, CA 91791

0.139272% ✓

KEYES BABER PROPERTIES
C/O TX COMMERCE BANK MIDLAND
ACCT #50-1532-00
PO BOX 209829
HOUSTON, TX 77216

2.225319% ✓

GEORGE A. RANNEY
17370 WEST CASEY ROAD
LIBERTYVILLE, IL 60048

0.520756% ✓

FREDERICK F. WEBSTER JR
(FKA WEBSTER PROPERTIES PARTN)
945 WOODLAND DRIVE
GLENVIEW, IL 60025

0.308371% ✓

F F WEBSTER IV TRUST ESTATE
(FKA WEBSTER PROPERTIES PARTN)
C/O COLORADO NATL BANK
P.O. BOX 17532
DENVER, CO 80217

0.308371% ✓

JOHN I. SHAW JR TRUST
U/A/D 1-2-57
THOMASVILLE RT BOX 60-B
BIRCH TREE, MO 65438

1.083016% ✓

SUSANNE SHAW TRUST
U/A/D 9/11/53
THOMASVILLE RT BOX 60-B
BIRCH TREE, MO 65438

1.083016% ✓

ARCH W. SHAW II TRUST
U/A/D 2/1/71
THOMASVILLE RT BOX 60-B
BIRCH TREE, MO 65438

1.083016% ✓

BRUCE P. SHAW TRUST
U/A/D 6/8/72
THOMASVILLE RT BOX 60-B
BIRCH TREE, MO 65438

1.083016% ✓

EXHIBIT "A" CONT.

NORMAN L. HAY JR., TRUSTEE OF THE NORMAN L. HAY JR GS TRUST 3208 ELDON LN WACO, TX 76710	0.832603%	✓
EDWARD L. RYERSON JR TRUST (FKA EDWARD L. RYERSON) CAMBRIDGE TRUST CO TRUSTEE ATTN: DAVID STRACHAN 1336 MASSACHUSETTS AVE CAMBRIDGE, MA 02138-3829	0.520755%	✓
MARGARET STUART HART NORTHERN TRUST BANK/LAKE FOREST & MARGARET STUART HART CO-TRUSTEE U/A ROBERT DOUGLAS STUART PO BOX 226270 DALLAS, TX 75222	0.774329%	✓
ROBERT DOUGLAS STUART JR NORTHERN TRUST BANK/LAKE FOREST & ROBERT DOUGLAS STUART JR CO-TRUSTEE U/A ROBERT D. STUART PO BOX 226270 DALLAS, TX 75222	0.774329%	✓
ANNE STUART BATCHELDER, TRUST. FIRST NATL BANK OF CHICAGO & U/A ROBERT DOUGLAS STUART ATTN: GAYLE COTTON 8150 N CENTRAL EXPY STE 1211 DALLAS, TX 75206	0.774329%	✓
HARRIET STUART SPENCER FIRST NATL BANK OF CHICAGO & U/A ROBERT DOUGLAS STUART ATTN: GAYLE COTTON 8150 N CENTRAL EXPY, STE 1211 DALLAS, TX 75206	<u>0.774329%</u>	✓
TOTAL	100.000000%	

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

APPLICATION OF BURLINGTON RESOURCES)
OIL AND GAS COMPANY FOR COMPULSORY)
POOLING AND A NONSTANDARD GAS PRORATION)
AND SPACING UNIT, SAN JUAN COUNTY,)
NEW MEXICO)

CASE NOS. 11,808

APPLICATION OF BURLINGTON RESOURCES OIL)
AND GAS COMPANY FOR COMPULSORY POOLING,)
AN UNORTHODOX GAS WELL LOCATION AND A)
NONSTANDARD PRORATION UNIT, SAN JUAN)
COUNTY, NEW MEXICO)

and 11,809

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS (Volume I)

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

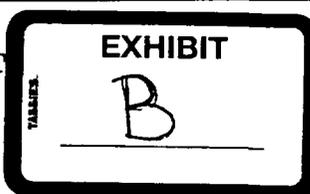
July 10th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday and Friday, July 10th and 11th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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CCR

1 would have in Sections 8 and Section 9?

2 A. Yes, sir.

3 Q. As part of your duties, did they include efforts
4 to consolidate the interest owners in these two sections
5 for purposes of drilling the deep gas well tests we're
6 about to describe?

7 A. Yes, sir.

8 Q. And have you continued on to the present in those
9 efforts?

10 A. Continuing, yes, sir.

11 MR. KELLAHIN: We tender Mr. Strickler as an
12 expert petroleum landman.

13 EXAMINER CATANACH: Any objection?

14 MR. HALL: No objection.

15 EXAMINER CATANACH: Mr. Strickler is so
16 qualified.

17 MR. KELLAHIN: Mr. Examiner, we have presented to
18 you separate exhibit books for each case. There are some
19 exceptions with regard to the identify of parties, so that
20 you can be specific as to those interests per section. But
21 generally, the information is going to be applicable to
22 both cases.

23 And so Mr. Strickler and I will choose the
24 exhibit book that deals with the Marcotte well. It's the
25 exhibit book 11,809. We will start with that one, and then

1 A. Yes, sir.

2 Q. And you work jointly?

3 A. We work together, yes, sir.

4 Q. Okay. How long -- I realize you've only been on
5 the team since August of last year, but how long has the
6 team been assembled --

7 A. That I don't know.

8 Q. -- for Burlington?

9 A. That I don't know. I've been with the company
10 almost three years, and the Conoco-Burlington joint venture
11 started two and a half years ago. So...

12 Q. For what you'd call the call the deep
13 Pennsylvania --

14 A. Joint exploration program --

15 Q. Okay.

16 A. -- yes, sir.

17 Q. Well, just tell us -- We'll discuss changes, but
18 when you came on board in August of 1996, what was the
19 acreage target that you were given at that time?

20 A. That is confidential information. The geologists
21 and geophysicists came up with an outline. The asked me to
22 concentrate within that outline, and I'm not at liberty to
23 disclose that.

24 Q. Well, was it --

25 A. But it's centered around Section 8, I can tell

1 A. Oh, right.

2 Q. -- I'm simply asking -- That information was
3 furnished to Amoco, so it could make a decision on whether
4 or not to farm out; isn't that true?

5 A. I'm not at liberty to say. That information,
6 that agreement, is confidential between Amoco and
7 Burlington, and I'm not in a position or have the authority
8 to discuss the terms and conditions of that agreement.

9 Q. I didn't ask you that, sir.

10 A. Well --

11 Q. I just asked you, isn't it true that technical
12 data was furnished to Amoco --

13 MR. KELLAHIN: I'm going to object on relevance
14 grounds.

15 Q. (By Mr. Gallegos) -- surrounding the making of
16 the farmout agreement?

17 MR. KELLAHIN: It's confidential contracts
18 between these people, and I don't see it's relevant, Mr.
19 Examiner.

20 MR. GALLEGOS: I'm not asking for the terms of
21 the contract. It can just simply be answered yes or no,
22 the information was furnished; isn't that true?

23 EXAMINER CATANACH: I think it's relevant. I'm
24 going to direct the witness to answer that question.

25 THE WITNESS: The answer is yes.

1 Q. (By Mr. Gallegos) Okay. There's also a farmout
2 obtained from Cross Timbers on the Section 8 property,
3 correct?

4 A. Yes, sir.

5 Q. Okay, did you work on that?

6 A. I sure did.

7 Q. Okay. And about when did you accomplish
8 agreement with Cross Timbers?

9 A. That was in -- I'll have to refer to my book. I
10 don't have that with me. Late May, early June.

11 Q. Of this year?

12 A. Yes, sir.

13 Q. And isn't it true that Cross Timbers was provided
14 technical data and information concerning this project?

15 A. That is correct.

16 Q. Now, as to interest owners such as the Moores and
17 the GLA-66 owners, what instructions were you given in
18 regard to your efforts at obtaining their interest, either
19 by purchase or some other means?

20 A. Their acreage was important to our wells, and
21 naturally we attempted to purchase their interest or offer
22 them a farmout or offer them to participate. That's a
23 normal procedure in putting together a land area to support
24 a deep high-risk well.

25 Is that what you're referring to?

1 A. These are sample letters.

2 Q. Sample letters?

3 A. Yes.

4 Q. All right.

5 A. Right. They went to --

6 Q. It wasn't necessarily LaForce but it was one of
7 the --

8 A. Right --

9 Q. -- the GLA-66 group.

10 A. -- we didn't want to thicken up the book here.

11 Q. Okay. And doesn't the letter, first of all, tell
12 the recipient that it's a very high-risk well, ten-percent
13 chance of success?

14 A. Correct.

15 Q. You were discouraging voluntary participation?

16 A. No, sir, that's just our estimation of the risk
17 involved.

18 Q. Haven't you told various parties that you've
19 talked to personally that you wouldn't invest in this; it
20 would be better off putting their money in the stock
21 market?

22 A. That's my personal feeling.

23 Q. And that's what you told people?

24 A. That's right.

25 Q. All right. So that's discouraging them from

1 A. Yes, sir.

2 Q. And that's why it was placed outside of the
3 ordinary or standard window?

4 A. Well, let me clarify, because Section 8 -- the
5 Section 8 was a prime location. The location was chosen to
6 use an existing wellpad, and it was an acceptable location
7 to minimize surface disturbance.

8 So for topographic reasons and the using existing
9 wellpad and using existing roads, that location was picked.

10 Q. There are existing wellpads all over Section 8,
11 aren't there Mr. Strickler?

12 A. Oh, yes. This was, I guess, the best location.

13 Q. This specific location was selected by the
14 geologist and geophysicist, based on their evaluation and
15 decisions; isn't that right?

16 A. Based on their studies, yes.

17 Q. Okay. Now, what -- We can use any of these maps.
18 Let's just look at the first one in here, which is this
19 Scott 24. It's colored, and you were using it to show the
20 Section 9 spacing unit?

21 A. Correct.

22 Q. All right. What is the location distance from
23 the quarter-section line, for the Scott 24?

24 A. 210 feet.

25 Q. Do you have a plat or an APD plat or something

1 Q. What procedures do you usually follow? Let's
2 concentrate on a proposal that would involve commitment of
3 a working interest under your charge to participation in
4 drilling, rework or some proposal of that nature. What
5 steps do you typically follow?

6 A. When the AFE comes in we make sure we have
7 appropriate title, look at the amount of money involved.
8 If it's very small, like many of ours are, then sometimes
9 it only costs the trust about \$500 to participate, so we
10 don't do as much work in that event.

11 But if it's anything over \$1000 or \$2000 to
12 participate, I always call the operator, regardless of the
13 site, and find out what his plans are, find out all about
14 the information on the surrounding production. And if it's
15 of any size we hire an engineer to look at all the data.

16 Q. Do you request things such as logs, seismic
17 data --

18 A. Yes.

19 Q. -- that type of thing?

20 A. Yes, we do.

21 Q. And what has been your experience as to the
22 response that you typically received to those requests?

23 A. They're usually cooperative with supplying
24 information.

25 Q. If the matter does involve sizeable expenditures

1 Q. Have you frequently been a participant as a
2 nonoperator in wells that are proposed by other parties?

3 A. Oh, yes, yes.

4 Q. Have those included wells that are proposed and
5 operated by Burlington Resources?

6 A. That's correct.

7 Q. Conoco?

8 A. Burlington, Conoco, Texaco, Amoco, Tenneco when
9 they were there, Cross Timbers, Crown Central.

10 Q. Would it be fair to say that generally your
11 approach is to be a consent participant, paying your share
12 in wells that are being drilled?

13 A. I cannot remember a time in the San Juan Basin
14 that we have not been a working interest operator -- I mean
15 a working interest owner -- that we have not taken a part
16 in the well.

17 Q. Okay. And about how many wells do the Moore
18 interests have interest in in the San Juan Basin, just the
19 San Juan Basin?

20 A. Oh, including overriding royalties and royalties,
21 probably close to 300 wells, scattered throughout.

22 Q. Okay. Now, what has been the common practice
23 that you have followed, and what has been your experience
24 in following that practice, in regard to being able to
25 obtain information from the proponent of the well in order

1 for you to make a decision whether or not to participate?

2 A. Well, normally we receive structural maps, cross-
3 sections, seismic information, this sort of thing, prior,
4 so we'll know what we're doing. This is the industry norm,
5 whether it be in New Mexico or whether it be in Oklahoma or
6 Texas.

7 And I've been on both sides of this fence,
8 selling units and taking part in them, and wells, so I know
9 what the norm is on both sides on it. If we put together a
10 drilling block and try to sell it, we furnish all the
11 information we have on it.

12 Q. All right. Does the Wayne Moore ownership
13 include interest in both Section 8 and Section 9?

14 A. That's correct.

15 Q. Okay, and is that interest the extent that was
16 previously represented by Mr. Strickler in his testimony,
17 presented --

18 A. Yes, that's correct.

19 Q. Okay. Let me just quickly ask you about a few of
20 the exhibits you have here. Is Exhibit P a title takeoff
21 that illustrates the ownership in what's called the Arch
22 Rock prospect?

23 A. Yes.

24 Q. It would be the two sections in question?

25 A. I have Section 8 here; is this the one --

1 said, We can't send you the seismic.

2 And I said, Wait a minute, we own the property,
3 number one. I'm not sure we -- that it isn't seismic
4 trespass. We were never told that there was a 3-D shooting
5 going on through there, and this very well could represent
6 seismic trespass. It would in Texas.

7 And he said it was proprietary and we could not
8 have that information.

9 And I felt like it was a necessity to have it.

10 Q. Okay. And have you received seismic before from
11 others --

12 A. Oh, sure.

13 Q. -- who have drilled wells?

14 A. That's the industry norm, is -- Other wells,
15 sure, when you're going to -- when there's, you know, we
16 see some reason for drilling the well.

17 This well was just stuck out there and said,
18 We're going to drill it. The information we received was
19 not really pertinent when you look at something 20 or 30 or
20 80 miles away.

21 Q. Exhibit R is also dated April 22, 1997, and it's
22 referenced as a farmout letter of intent.

23 A. Okay.

24 Q. Did this farmout proposal involve only the
25 property in Section 8 and Section 9?

1 didn't have enough geology to support or oppose -- We did
2 nothing in that case.

3 The geologist on the February proposal requested
4 me to try and obtain for Mr. Strickler, as is customary
5 with any exploratory proposed well, to get some seismic
6 geology, anything that we could.

7 After many conversations during the month of
8 March, then we did receive a 4-1 proposal which did allow
9 Total Minatome to review the geology, only if we amended
10 the GLA-46 as to all depths, which was unacceptable at that
11 time.

12 Q. Let me ask you about that particular matter.
13 I'll provide you with what's been marked as Exhibit 9.

14 A. Right.

15 Q. Would you identify that for the record, please?

16 A. Exhibit 9 is the April 1st proposal whereby Total
17 Minatome would be allowed to see the 2-D and 3-D seismic by
18 amending the November 27, 1951, operating agreement and
19 that they would set out a mutually agreeable time to show
20 us the Arch Rock project.

21 Q. So Burlington did acknowledge the applicability
22 of GLA-46 to the deep rights; is that correct?

23 A. Yes. I mean, that's -- That's what this was
24 saying to us.

25 The second page also talks about Total agreeing

1 evidence.

2 Mr. Kellahin?

3 MR. KELLAHIN: I have no questions for this
4 witness Mr. Examiner.

5 MR. HALL: That concludes our case, Mr. Examiner.

6 EXAMINER CATANACH: I've got a couple questions.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. Ms. Gilchrist, under -- As I understand it, the
10 sequence of events, you elected to participate in the
11 drilling of the wells under the terms of the GLA-46
12 agreement?

13 A. That is correct.

14 Q. Was it afterwards that you entered into further
15 negotiations with Burlington?

16 A. After Bobby Kennedy talked to our vice president,
17 he asked that -- Burlington asked, could they, you know,
18 revise the terms of the farmout proposal? And our vice
19 president said yes, and that's what precipitated the June
20 16th, 1997 --

21 Q. Okay, so you were willing to change some of the
22 terms of the operating agreement?

23 A. Yes, I actually prepared memos, as I testified a
24 while ago, to amend certain portions of it, not as to the
25 carried interest, but without the geology, our senior

1 geologist, Brad Watts, could not make a determination to
2 farm out at that time without seeing any geology, which is
3 customary.

4 But on the 4-1-97 letter, we were offered to see
5 the geology if we amended the GLA-46 agreement as to all
6 depths, and that was unacceptable to my management.

7 Q. Why did you cease negotiations when you got the
8 news of the compulsory pooling application?

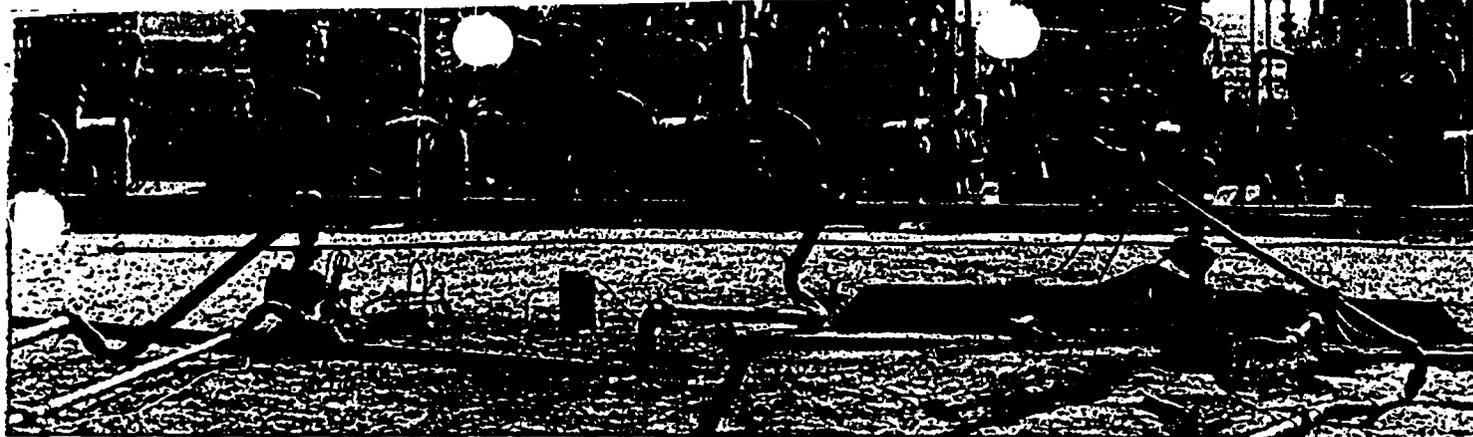
9 A. Because in our position, we were participating in
10 the well. That is our position. And we were shown as not
11 participating for this force-pooling hearing.

12 Q. So you chose just to discontinue negotiations?

13 A. On June 23rd. We then contacted Mr. Hall and
14 decided we needed some legal representation for this
15 hearing.

16 Q. You testified something to the effect about a
17 threat that Mr. Strickler -- something about -- I'm sorry,
18 could you go into that?

19 A. The first threat in a conversation was that if we
20 did not farm out, amend the agreement or participate under
21 the new agreement, this would impact the negotiations.
22 Someone at his office had talked to corporate -- I don't
23 know who that would be -- and that this was -- we were just
24 doing this to get more money for a deal we were working on
25 to sell all our San Juan Basin properties to Burlington.



Burlington's earnings on the rise

HOUSTON — Burlington Resources reported second quarter 1997 operating income of \$73 million and net income of \$79 million or \$.64 per share. Included in net income is \$31 million or \$.25 per share from profits on the sale of assets related to the company's divestiture program. For the same period last year, the company reported operating income of \$96 million and net income of \$48 million or \$.38 per share. Operating cash flow for the first half increased 50% to \$407 million as compared to \$272 million for the first half of 1996. Bobby Shackouls, president and chief executive officer of BR, stated, "Both earnings and cash flow remain strong and with the completion of the company's divestiture program, we have approximately \$500 million in cash and short-term investments. 1997 is shaping up as another strong year for BR."

Natural gas sales averaged 249 million cubic feet per day (mmcf/d) during the second quarter compared to 1,193 mmcf/d in the second quarter of 1996. Second quarter oil sales volumes were 45,800 barrels per day (bo/d) versus 50,400 bo/d a year ago. These volumes reflect the sale of about 100 mmcf/d of natural gas and 11,000 bo/d associated with the company's previously announced divestiture program. Realized natural gas prices decreased slightly to 1.70 per thousand cubic feet (mcf) from \$1.75 per mcf in 1996. Oil prices also decreased from \$20.29 per barrel to \$19.16 per barrel.

During the quarter, BR acquired 785,000 shares of its common stock. Since it began acquiring stock in 1988, the company has purchased approximately 31 million shares or 21 percent of its original common

stock capitalization.

During the second quarter, BR spent \$211 million on internal oil and gas capital projects including \$84 million of exploration capital. The company acquired nearly 1,300 square miles of 3-D seismic, primarily in the Gulf of Mexico, bringing BR's year-to-date seismic acquisition to nearly 3,000 square miles.

In the second quarter, BR drilled five gross exploratory

'We have approximately \$500 million in cash and short term investments. 1997 is shaping up as another strong year for BR.'

—Bobby Shackouls,
President

wells in the Permian Basin, four in the Williston Basin, and four in the Gulf Coast Basin. Five additional exploration wells were active at the end of the quarter. BR experienced a success rate of over 50% on the 24 completed exploration wells drilled so far in 1997. The company plans to initiate over 20 exploration wells in the third quarter as it continues its heightened focus on exploration. The third quarter's program remains balanced between the Williston Basin, the Permian Basin, and the Gulf Coast Basin. In total BR will drill about 80

exploratory wells in 1997.

During the quarter, BR tested a second exploratory well in its Galveston 303 field. With this well and a follow-up development well, the company has increased production in the Galveston 303 field to nearly 20 mmcf/d. BR had another significant exploration discovery at West Delta 65. The West Delta 65 No. 1 well encountered significant pay in the Ang B sand and initial production rates of over 20 mmcf/d are expected once the platform is installed. Additional pay was also encountered uphole in the Trim A & B sands and the company has scheduled a second well later this year to accelerate recovery. BR's Eugene Island 205 field had two exploratory successes in the quarter. The recently completed No. G-2ST is producing over 30 mmcf/d from the Bul 1-4 and Bul 1-5 sands. The second exploratory well, the No. G-4, is currently being completed and is anticipated to produce over 30 mmcf/d bringing the field's production to approximately 80 mmcf/d, up from less than 10 mmcf/d at the time this property was acquired in 1996.

The company also had a potentially promising exploratory success in west Texas, the Bambino No. 1. This 21,000 feet exploratory Ellenburger test encountered approximately 800 feet of exposed gas column. The well is currently being completed and should have production test results later this month. Recently, BR spudded an exploratory well in the San Juan Basin, the Marcotte No. 2. This exploratory well is the first of several wells that will test the Deep Pennsylvanian formations which the company believes may hold significant exploration potential.

Four oil companies agree to form joint venture

By Victoria Cunningham
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Atlantic Richfield Co., Phillips Petroleum Co., Texaco Inc. and Venezuela's Corpoven SA agreed to invest \$3.5 billion to form a heavy oil joint venture.

Officials said the venture, which will be called Petroera Hamaca, will have revenue of \$33.5 billion over its 35-year lifetime.

Arco and Corpoven, a unit of state oil company Petroleos de Venezuela SA, each own 30 percent of the venture with Phillips and Texaco holding 20 percent each.

"We see this as a key stone for participating in many opportunities in

NAMEDROPPINGS

Shackouls elected to board

Burlington Resources Inc. Shackouls, the company's president, has been elected to the additional board. He succeeds Thomas H. O'Neil, who is retiring after serving as the company's CEO and was also elected to the board.

Shackouls, 46, joined BR in 1995 and served as chief operating officer. In 1996, he was elected to the board. Before joining BR, Shackouls served in senior positions at Torch Energy Advisors, Plains Energy Services, and Minerals. Shackouls holds a BS degree from Mississippi State University.

Schneeflock to pursue

Nuevo Energy Co. announced that it has resigned as vice president - energy of Energy Co. in order to pursue other opportunities. Schneeflock's career with Nuevo Energy Co. was as chairman of the acquisition of Paramount Energy Services.