

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 ENRON OIL AND GAS COMPANY )  
 FOR COMPULSORY POOLING, LEA COUNTY, )  
 NEW MEXICO )

CASE NO. 11,818

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

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July 24th, 1997

Oil Conservation Division

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 24th, 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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July 24th, 1997  
 Examiner Hearing  
 CASE NO. 11,818

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\* \* \*

## A P P E A R A N C E S

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN P.A.  
 Suite 1 - 110 N. Guadalupe  
 P.O. Box 2208  
 Santa Fe, New Mexico 87504-2208  
 By: PAUL R. OWEN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2           12:10 p.m.:

3           EXAMINER STOGNER: This hearing will come to  
4           order. I'll at this time call Case Number 11,818, which is  
5           the Application of Enron Oil and Gas Company for compulsory  
6           pooling, Lea County, New Mexico.

7           At this time I'll call for appearances.

8           MR. OWEN: Paul Owen of the Santa Fe law firm of  
9           Campbell, Carr, Berge and Sheridan, for the Applicant,  
10          Enron Oil and Gas Company.

11          I have two witnesses in this matter, a total of  
12          ten exhibits. I don't believe the witnesses were present  
13          when you swore witnesses earlier today.

14          EXAMINER STOGNER: Okay. Are there any other  
15          appearances? Will the two witnesses please stand to be  
16          sworn in?

17          (Thereupon, the witnesses were sworn.)

18          MR. OWEN: My first witness in this matter is  
19          Patrick Tower.

20                                 PATRICK J. TOWER,  
21          the witness herein, after having been first duly sworn upon  
22          his oath, was examined and testified as follows:

23                                 DIRECT EXAMINATION

24          BY MR. OWEN:

25                 Q.    Why don't you tell us your name?

1 A. Patrick J. Tower.

2 Q. And where do you live?

3 A. Midland, Texas.

4 Q. Who do you work for?

5 A. Enron Oil and Gas Company.

6 Q. What do you do for Enron?

7 A. I'm a project landman.

8 Q. Have you previously testified before the  
9 Division?

10 A. Yes, I have.

11 Q. At the time you testified, were your credentials  
12 as a petroleum landman accepted and made a matter of  
13 record?

14 A. Yes.

15 Q. Are you familiar with the Application filed in  
16 this case?

17 A. Yes.

18 Q. Are you familiar with the status of the lands in  
19 the subject area?

20 A. Yes.

21 MR. OWEN: Mr. Examiner, I tender Mr. Tower as an  
22 expert petroleum landman.

23 EXAMINER STOGNER: Mr. Tower is so qualified.

24 Q. (By Mr. Owen) Mr. Tower, please tell us what  
25 Enron seeks with the Application.

1           A.    Enron seeks an order pooling all minerals from  
2 the surface to the base of the Wolfcamp formation under the  
3 north half, Section 14, Township 24 South, Range 33 East,  
4 Lea County, New Mexico. To be dedicated is Enron's Lela  
5 Mae Stevens Fed Com Number 1 well, to be drilled at a  
6 standard location 1980 from the north and 1878 feet from  
7 the west line in Unit H of said Section 14.

8           Q.    Does what's been marked as Enron Exhibit Number 1  
9 show the location of the proposed well?

10          A.    Yes.

11          Q.    What else is on that exhibit?

12          A.    The red outline depicts the 320-acre spacing  
13 unit, and the red dot shows the location I mentioned a  
14 minute ago.

15          Q.    What's the objective of the proposed well?

16          A.    The Wolfcamp formation in the Johnson Ranch-  
17 Wolfcamp Gas Pool.

18          Q.    Now, what's the ownership in this section?

19          A.    If you'll refer to Exhibit Number 2, a breakdown  
20 of the ownership in this north-half spacing unit, itemizing  
21 the parties involved. Enron Oil and Gas Company has 16.75  
22 percent; Santa Fe Energy Resources, Inc., 8.25 percent; and  
23 then the Bass entities -- without naming them all; they're  
24 on there -- represent the remaining 75 percent.

25          Q.    Have you had discussions -- Well, has anybody

1 voluntarily joined?

2 A. Twenty-five percent have voluntarily joined, with  
3 the Bass entities, as I mentioned, are the one subject to  
4 or seeking the compulsory pooling here today.

5 Q. So Santa Fe as well as Enron has dedicated their  
6 acreage to the well?

7 A. Yes.

8 Q. Have you had any discussions with Bass, with the  
9 Bass entities, in an attempt to get them to voluntarily  
10 join?

11 A. Yes, and if you will refer to Exhibit Number 3,  
12 Exhibit Number 3 represents a copy of the certified receipt  
13 attached and the original well proposal to the Bass group,  
14 as well as a response letter that they were evaluating the  
15 proposal.

16 Subsequent to that, the top letter, which as of  
17 last week was an indication by Bass that they're leaning  
18 towards nonparticipation, however they had not fully  
19 decided, and this was an additional offer presented to Bass  
20 in lieu of participation. However, at this point, nothing  
21 has voluntarily been reached. We're hopeful that we'll  
22 reach voluntary agreement. If we do, we will dismiss the  
23 order. However, it's pending at this point.

24 Q. Now, a number of the interests listed on Exhibit  
25 Number 2, you stated, are represented by the Bass company.

1 Have you had other dealings with Bass in which Bass held  
2 itself out as representing these interests?

3 A. Yes, Bass Enterprises Production Company  
4 represents the entities listed on the sheet, which are Sid  
5 R. Bass, Inc.; Thru Line, Inc.; Keystone, Inc.; Lee M.  
6 Bass, Inc.; and Perry R. Bass, Inc.

7 Bass Enterprises Production Company is the  
8 operating entity for all of those entities and represents  
9 them.

10 Q. In addition to the letters contained in Enron  
11 Exhibit Number 3, have you had telephone conversations with  
12 any representatives of Bass Enterprises Productions?

13 A. Yes, there have been numerous conversations,  
14 primarily between myself and Wayne Bailey, a landman with  
15 Bass, as well as there have been several discussions which  
16 I can defer to a geological witness, has talked to their  
17 geologists several times concerning this matter.

18 Q. Has Bass Enterprises Production Company ever  
19 indicated they don't represent any of the interests listed  
20 on Exhibit Number 2?

21 A. No.

22 Q. Is Exhibit Number 4 an affidavit with letters  
23 giving notice to Bass Enterprises Production Company of  
24 this hearing?

25 A. Yes, it is.

1 Q. Has Enron drilled other Wolfcamp wells in the  
2 immediate vicinity?

3 A. Yes, we have.

4 Q. Is your geological witness going to discuss that  
5 issue a little more?

6 A. Yes, he'll get into more detail with the wells --

7 Q. All right, let's look at --

8 A. -- surrounding this area.

9 Q. Let's look at Enron Exhibit Number 5. Would you  
10 walk us through that, please?

11 A. Yeah, Exhibit Number 5 is a drilling cost  
12 estimate for this well, projected total depth 13,700-foot  
13 Wolfcamp test. The estimated dryhole cost is \$889,300.  
14 The estimated completed well cost is \$1,294,7000.

15 Q. Are these costs in line with what's been charged  
16 by other operators in the area for similar wells?

17 A. Yes, they are.

18 Q. Have you made an estimate of the overhead and  
19 administrative costs while drilling and producing the well?

20 A. Yes, it is our recommendation that the drilling  
21 well rate be \$6000 and the producing well rate be \$600.

22 Q. Are these generally in line with the Ernst and  
23 Young survey?

24 A. Are they in line with what's being charged --  
25 what other operators are incurring for production in the

1 area?

2 A. Yes.

3 Q. Do you recommend that these figures be  
4 incorporated into any order that results from this hearing?

5 A. Yes, I do.

6 Q. Were Enron Exhibits Numbers 1 through 5 prepared  
7 by you or compiled under your direction and supervision?

8 A. Yes, they were.

9 MR. OWEN: Mr. Examiner, I tender Enron Exhibits  
10 1 through 5.

11 EXAMINER STOGNER: Exhibits 1 through 5 will be  
12 admitted into evidence.

13 MR. OWEN: And I have nothing more for Mr. Tower  
14 at this time.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. Mr. Tower, working backwards on your Exhibit  
18 Number 3, the June 3rd letter, was that the first letter to  
19 the working interest owners? Or correspondence, I should  
20 say?

21 A. With the Bass entities, yes.

22 Q. With the Bass entities?

23 A. Yes.

24 Q. How about with the other ones?

25 A. Santa Fe Energy received a letter -- I did not

1 include it -- probably within a couple days around that,  
2 yes. But they've voluntarily committed to join already, so  
3 we did not list any correspondence with them.

4 Q. Okay, how did you learn that Bass Enterprises was  
5 the acting party for the Sid R. Bass, the Thru Line, the  
6 Keystone --

7 A. We have a longstanding relationship with Bass.  
8 You may be familiar with James Ranch field. We've drilled  
9 numerous wells there. We also have a well recently in this  
10 area, the Bell Lake 7. It was also the subject of a case,  
11 not involving Bass, oh, within a couple miles.

12 But we have numerous contracts with them, and in  
13 all our dealings and correspondence Bass Enterprises  
14 Production Company has executed as the operating entity for  
15 the companies or the entities that I list on this exhibit.  
16 We have executed documents where basically they have signed  
17 representing these companies. You know, if you want, we  
18 could present some of those.

19 However, they have verbally represented that, so  
20 just -- We've had a longstanding relationship and have  
21 documentation of other deals to that effect.

22 Also, if you'll look on their response letter,  
23 you know, they -- the title, everything -- everything they  
24 do generally is handled under Bass Enterprises Production  
25 Company, even though legal titles in those entities, they

1 -- It's part of the Bass families. You can see by the  
2 response they acknowledge that they're representing the  
3 interests involved here.

4 Q. Are you referring to the June 17th letter?

5 A. Yes.

6 Q. Okay.

7 A. In other words, they don't specifically refer to  
8 it, but what I'm saying is, they acknowledge that --

9 Q. Do you have any documentation where it  
10 specifically related to that?

11 A. I -- In fact, I brought some just -- You know,  
12 this hasn't come up, but I have a copy of some -- a recent  
13 operating agreement that they signed, an amendment showing  
14 a letter addressed to all those entities, and then Bass has  
15 accepted it, that I can present here if you would like a  
16 copy.

17 EXAMINER STOGNER: Mr. Owen, I would like a copy  
18 of that to verify it.

19 MR. OWEN: I'd be happy to do that, Mr. Examiner.

20 I would like to point out to the Examiner that on  
21 the top letter, the July 21st letter, which is contained in  
22 Enron Exhibit Number 3, Mr. Tower specifically references  
23 the other Bass entities.

24 EXAMINER STOGNER: Oh, yeah.

25 MR. OWEN: Mr. Tower, have you had any telephone

1 conversations with a representative of Bass since they  
2 received this letter?

3 THE WITNESS: Yes, I have, several conversations.

4 MR. OWEN: Did that representative indicate that  
5 they did not represent these --

6 THE WITNESS: No.

7 MR. OWEN: -- interests?

8 Mr. Examiner, I can do -- We can do one of two  
9 things.

10 I can submit this additional documentation if you  
11 would like, and/or we can leave the record open for a  
12 period of two weeks and we can notice -- specifically  
13 notice these other entities, and you can take it under  
14 advisement for that period if you'd like.

15 EXAMINER STOGNER: I think just some additional  
16 verification, and I'm in a proceeding now that this issue  
17 has come up before, and I would feel comfortable of having  
18 some sort of documentation, especially from them, that they  
19 do represent -- I mean, I see this on Enron's letter.

20 MR. OWEN: Uh-huh.

21 EXAMINER STOGNER: But I'd just like something  
22 additional to verify that in a little bit more detail. So  
23 subsequent to today's case I'll leave the record open until  
24 that information will be provided.

25 MR. OWEN: I'll be happy to do that, Mr.

1 Examiner.

2 Q. (By Examiner Stogner) Okay, going back to that  
3 June 17th letter, have you been in contact with Bass as far  
4 as their proposal to operate a well in this area?

5 A. They do -- They have never proposed to operate  
6 the well.

7 And in conversation as late as yesterday, they've  
8 acknowledged that they do not likely intend to participate,  
9 and it's just a matter if they get the right deal. They  
10 are talking to a third party that has no interest here,  
11 apparently, as far as possibly farming out to that party  
12 and/or Enron.

13 In the interim, we want to proceed. We have rigs  
14 that we're keeping busy, and so -- We have, again, nothing  
15 voluntary so we have no choice but to proceed, try and get  
16 this tied up under the pooling.

17 However, there's been no discussion or no  
18 statement other than this letter of Bass's, had no  
19 objection to Enron operating and more than likely indicates  
20 Enron will be the operator.

21 EXAMINER STOGNER: I have no other questions of  
22 Mr. Tower at this time.

23 Thank you, sir.

24 MR. OWEN: The second witness in this matter is  
25 Mr. Barry Zinz.

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BARRY L. ZINZ,

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

DIRECT EXAMINATION

BY MR. OWEN:

Q. Mr. Zinz, why don't you tell us your name?

A. My name is Barry Lynn Zinz.

Q. And where do you live?

A. Midland, Texas.

Q. Who do you work for?

A. Enron Oil and Gas Company.

Q. What do you do for Enron?

A. I'm a geologist.

Q. How long have you been a geologist for Enron?

A. I'm working on 21 years, although the company has been a lot of different names.

Q. Have you previously testified before this Division?

A. Yes, I have.

Q. At that time, when you testified before this Division, were your credentials as a petroleum geologist accepted and made a matter of record?

A. Yes, they were.

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

1           A.    Yes, sir.

2           Q.    Have you made a geologic study of the area which  
3 is the subject of this Application?

4           A.    I have.

5           Q.    Are you prepared to review the results of that  
6 study with this Examiner?

7           A.    Yes, I am.

8           MR. OWEN:  Mr. Examiner, I tender Mr. Zinz as an  
9 expert in petroleum geology.

10          EXAMINER STOGNER:  Mr. Zinz, what -- When you  
11 went to work for them 21 years ago, what was the name of  
12 it?

13          THE WITNESS:  Northern Natural Gas.

14          EXAMINER STOGNER:  And then what did it change  
15 to?

16          THE WITNESS:  To -- Let's see, InterNorth.

17          EXAMINER STOGNER:  And then?

18          THE WITNESS:  Enron.

19          EXAMINER STOGNER:  Okay.  I was -- yeah, you  
20 brought up -- When you mentioned that, you had brought up  
21 some memories that I had forgotten.

22                 Yes, Mr. Zinz is so qualified.

23          Q.    (By Mr. Owen)  All right, Mr. Zinz, let's go to  
24 what's been marked as Enron Exhibit Number 6.  Why don't  
25 you -- It's a cumulative production map.  Why don't you

1 take us through that, please?

2 A. Okay. Exhibit 6 is a cumulative production map  
3 through May of this year. It's color-coded as to producing  
4 formations in the area, with the Wolfcamp cums being in  
5 red.

6 The proposed 13,700-foot Wolfcamp test in Section  
7 14 is an east offset to the Johnson Ranch Wolfcamp field,  
8 which are those wells that are clustered right in the  
9 center of the map.

10 The Johnson Ranch field contains six Wolfcamp  
11 producers and a seventh well which is currently attempting  
12 completion in the Wolfcamp.

13 If you note, there are really no Wolfcamp  
14 producers east of these Johnson Ranch field wells.

15 The well up to the northeast and the well down to  
16 the southeast are P-and-A'd out of the Wolfcamp, and those  
17 are not only their cum productions, but it's also their  
18 EURs as well.

19 If you notice, also on the map there's a line of  
20 cross-section marked A-A'.

21 Q. Is that line of cross-section represented on the  
22 next exhibit, Enron Exhibit Number 7?

23 A. That's correct.

24 Q. Is that the exhibit that you placed up on the  
25 wall for our review?

1 A. Yes, it is. If I may --

2 Q. Why don't you take us through that?

3 A. -- I'll take you through this.

4 This is cross-section A-A'. It runs more or less  
5 east-west across the area. And I've hung this  
6 stratigraphically, and the datum is this Wolfcamp  
7 unconformity. And I'd like to point out a few things, make  
8 a couple of points here with the cross-section.

9 First of all, the two producing packages within  
10 the Wolfcamp, I've designated upper and lower pays. You  
11 can see that within the field area these packages thin and  
12 thicken.

13 Also, if you notice, from this unconformity down  
14 to these markers here, that this whole unit thins rapidly  
15 to the east, and it's thinning up on the -- what we call  
16 the Bell Lake high, which is to the east.

17 EXAMINER STOGNER: Okay, and you were referring  
18 to "these". You're talking about the datum and then the  
19 next --

20 THE WITNESS: Yes, I'm talking about this  
21 interval between the datum and right here [indicating  
22 uppermost of bottom three black lines].

23 EXAMINER STOGNER: What's the bottom interval?

24 THE WITNESS: This is several correlation lines  
25 that I've put here that are on good regional markers or

1 shale markers that I can carry regionally through the area.

2 Okay.

3 Also, we do operate two wells within the Johnson  
4 Ranch field, and this well on the cross section is one of  
5 the wells that we operate.

6 EXAMINER STOGNER: You're talking about the one  
7 in the middle?

8 THE WITNESS: Yes, sir, this well here.

9 And like I said, we have an interest in about  
10 three other wells in the area.

11 This Penn marker right here is one of the  
12 regional markers that I can carry, and it is what I elected  
13 to do a structure map on, which I believe is the next  
14 exhibit.

15 Q. (By Mr. Owen) Why don't we go to Enron Exhibit  
16 Number 8, the structure map. Why don't you go ahead and --

17 A. Okay.

18 Q. -- take us through that as well?

19 A. Exhibit 8 is a structure map on that Penn marker,  
20 which is labeled on the cross-section. And like I say,  
21 this is one of these good regional markers that you can  
22 carry.

23 It's a structure map that has a contour interval  
24 of 100 feet. And whenever I constructed this particular  
25 subsurface map, I also incorporated some of the seismic

1 data that we have in the area.

2 And what I really want to point out here with  
3 this map are the several north-south trending faults which  
4 we've identified, and you're stepping down from east to  
5 west off of this Bell Lake high, this Bell Lake feature.

6 And I'd like to reaffirm that to date there has  
7 not been any Wolfcamp wells east of the field, and with  
8 these faults through there, I believe that it adds  
9 additional risk.

10 You could be looking at compartmentalization due  
11 to the faulting, and you could end up with limited reserves  
12 within these packages that we're looking at.

13 Q. Okay, Mr. Zinz, you have two remaining  
14 exhibits --

15 A. Yes.

16 Q. -- that appear to be related, Enron Exhibit  
17 Number 9 and Enron Exhibit Number 10. Why don't you --

18 A. Let's just go ahead and look at both of those  
19 together. They're both isopach maps, net isopach maps, of  
20 the two packages that you see on the cross-section. One is  
21 the upper Wolfcamp pay, and the lower Wolfcamp pay.

22 And based on my regional studies of the area,  
23 southeast New Mexico, and also with support from the  
24 seismic, we feel like these carbonate units are detrital  
25 flows or debris flows off of the Bell Lake high and are --

1 You can see the geometry that I've portrayed on these maps,  
2 with the source being to the east.

3 And Section 14, the north half of Section 14 that  
4 we are pooling, is well situated for both of these zones,  
5 the upper and the lower, at least the way I have it  
6 interpreted.

7 Q. Now, do you think, even though it looks to be  
8 well situated, do you think that there's a risk that you  
9 could drill a well at the proposed location that would not  
10 be a commercial success?

11 A. I definitely think that's true. With these  
12 debris flows you can't ever tell where they're going to be.  
13 I showed -- demonstrated with this cross-section, right in,  
14 within the field area itself, they thin and thicken.  
15 You've got the faults that we've identified running through  
16 Section 14 there, north-south.

17 So there's a lot of things that could result in a  
18 noneconomic well.

19 Q. Do you have a recommendation, based on those  
20 factors, as to the risk penalty that should be imposed  
21 against the nonconsent work- -- or interest owners?

22 A. Yes, I do.

23 Q. What is that recommendation?

24 A. Two hundred percent.

25 Q. Does Enron Seek to be the designated operator of

1 the proposed well?

2 A. Yes, we do.

3 Q. In your opinion, will granting this Application  
4 be in the best interests of conservation, the prevention of  
5 waste and the protection of correlative rights?

6 A. I believe it will.

7 Q. Were Enron Exhibits Number 6 through 10 prepared  
8 by you or compiled under your direction?

9 A. Yes, they were.

10 MR. OWEN: Mr. Examiner, I tender Enron Exhibits  
11 Number 6 through 10.

12 EXAMINER STOGNER: Exhibits Number 6 through 10  
13 will be admitted into evidence.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. In Exhibit Number 6 you do show some Morrow  
17 production back out to the east?

18 A. Yes, sir.

19 Q. And also down south and west?

20 A. Yes, sir.

21 Q. Is this current production?

22 A. These figures are the cum production current  
23 through May of this year. Some of these wells -- I  
24 apologize, they don't show that they're plugged out -- our  
25 computer system, Geographics -- but some of these wells are

1 plugged, plugged producers.

2 Q. Does your map, Exhibit Number 6, does it show all  
3 Wolfcamp and Pennsylvanian penetrations in this --

4 A. Yes.

5 Q. -- in general map area?

6 A. Yes, these are all the deep penetrations related  
7 to the Wolfcamp and deeper.

8 Q. This isn't in the potash area, is it?

9 A. No, sir.

10 Q. No. It's way back to the east of that?

11 A. (Nods)

12 EXAMINER STOGNER: Okay, I have no other  
13 questions of Mr. Zinz.

14 You may be excused.

15 MR. OWEN: Mr. Examiner, may I have just a couple  
16 minutes to talk to Mr. Tower briefly about this issue with  
17 Bass?

18 EXAMINER STOGNER: Yes, please.

19 (Off the record)

20 EXAMINER STOGNER: I'll let you either have him  
21 explain it, or you explain it.

22 MR. OWEN: Okay, Mr. Examiner, I'd like to call  
23 Mr. Patrick Tower back to the stand, please.

24 EXAMINER STOGNER: Let the record show that Mr.  
25 Tower is still under oath.

1                    PATRICK J. TOWER (Recalled),  
2                    the witness herein, having been previously duly sworn upon  
3                    his oath, was examined and testified as follows:

4                    DIRECT EXAMINATION

5                    BY MR. OWEN:

6                    Q.     Mr. Tower, I'd like to refer you to what's been  
7                    marked as Enron Exhibit Number 11.

8                    A.     Okay.

9                    Q.     Is that letter dealing with the project that is  
10                    the subject of this Application?

11                    A.     No.

12                    Q.     Okay. You stated that Enron had a course of  
13                    conduct in dealing with the Bass entities in which Bass  
14                    held itself out as representing the entities which are  
15                    listed on Enron Exhibit Number 3; is that correct?

16                    A.     That is correct.

17                    Q.     And is Enron Exhibit Number 11 an example of that  
18                    course of conduct?

19                    A.     Yes, Exhibit 11 are two separate pieces of  
20                    correspondence on two separate project areas, showing  
21                    examples of the conduct we've had with the Bass entities.

22                                       What they will show is, in most cases, all of the  
23                    legal entities -- Sid R. Bass; Keystone, Inc.; et cetera --  
24                    in all cases the execution for those entities, you'll  
25                    notice, in representation is always signed by Bass

1 Enterprises Production Company on behalf of those entities,  
2 and these are a couple examples of how that has -- or  
3 documenting that in other cases, which is the same in the  
4 case of our hearing today.

5 Q. And in the case of Enron Exhibit Number 3, after  
6 you sent the letter on July 21st, three days ago, in which  
7 you state that Bass is representing the Sid R. Bass; Thru  
8 Line, Inc.; Lee M. Bass and Perry R. Bass, have you spoken  
9 with a representative of Bass since --

10 A. Yes, I have, and I put that in the letter just to  
11 reiterate the common understanding between our companies  
12 that they do represent those entities. And I've had  
13 subsequent conversations of which there was no concern or  
14 no question by Bass of that -- of the representations I put  
15 in my letter.

16 Q. Who was that conversation with?

17 A. With Mr. Wayne Bailey, who is a landman  
18 representing Bass.

19 Q. Did Mr. Bailey indicate that he had received this  
20 letter dated July 21st?

21 A. Yes, we've had, I would say, three conversations  
22 over that letter since he has received it, negotiating to  
23 try and enter into a voluntary agreement.

24 Q. In any of those conversations, did he indicate  
25 that he did not, or that Bass Enterprises Production

1 Company did not represent the interests of Sid R. Bass;  
 2 Thru Line, Inc.; Keystone, Inc.; Lee M. Bass; and Perry R.  
 3 Bass?

4 A. No, that's correct. On the contrary, he was  
 5 negotiating pursuant to that proposal as if Bass  
 6 Enterprises had the full authority to do so.

7 MR. OWEN: That's all I have, Mr. Examiner.

8 EXAMINER STOGNER: Do you wish to admit Exhibit  
 9 Number 11?

10 MR. OWEN: I move the admission of Exhibit Number  
 11 11.

12 EXAMINER STOGNER: Exhibit Number 11 will be  
 13 admitted into evidence.

14 Thank you, Mr. Tower, no questions.

15 THE WITNESS: Okay, thank you.

16 EXAMINER STOGNER: Thank you for substantiating  
 17 this. And with that, is there anything further in Case  
 18 Number 11,818?

19 MR. OWEN: That's all I have, Mr. Examiner.

20 EXAMINER STOGNER: Then this matter will be taken  
 21 under advisement.

22 (Thereupon, these proceedings were concluded at  
 23 12:48 p.m.)

24 I do hereby certify that the foregoing is  
 a complete and correct transcript of the proceedings in  
 the Exd. No. 11,818.  
 \* Heard by 24 July 1947  
Michael L. Stogner Examiner  
 Oil Conservation Division

25

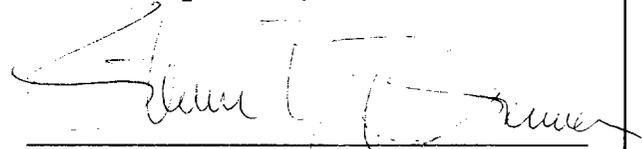
CERTIFICATE OF REPORTER

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 July 29th, 1997.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1998