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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 NOS. 10274, 10275  
APPLICATION OF MARALEX RESOURCES, ) 10276 (Consolidated)  
INC., FOR COMPULSORY POOLING, )  
SAN JUAN COUNTY, NEW MEXICO )  
 )  
 )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 21, 1991  
2:05 p.m.  
Santa Fe, New Mexico

This matter came on for hearing before the Oil  
Conservation Division on March 21, 1991, at 2:05 p.m.  
at Oil Conservation Division Conference Room, State Land  
Office Building, 310 Old Santa Fe Trail, Santa Fe, New  
Mexico, before Paula Wegforth, Certified Court Reporter  
No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION      BY: PAULA WEGFORTH  
DIVISION                      Certified Court Reporter  
CSR No. 264

## I N D E X

1 March 21, 1991  
2 Examiner Hearing

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1 EXAMINER STOGNER: Call next cases, Consolidated  
2 10274, 10275 and 10276.

3 MR. STOVALL: The cases are consolidated at the  
4 request of the application, and they are the applications  
5 of Maralex Resources, Inc., for compulsory pooling in  
6 San Juan County, New Mexico.

7 EXAMINER STOGNER: Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce from the Hinkle  
9 law firm, representing the applicant. I have two witnesses  
10 to be sworn.

11 EXAMINER STOGNER: Any other appearances?

12 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the  
13 Santa Fe law firm of Kellahin, Kellahin & Aubrey. I'm  
14 appearing on behalf of Elliott A. Riggs in Case No. 10274.

15 MRS. GILBRETH: Norman should be here.

16 MR. STOVALL: Why don't you go ahead and just enter  
17 his -- just state what you --

18 MRS. GILBRETH: All right. It will be for the last  
19 two with -- the numbers are there.

20 MR. BRUCE: 10275 and 10276.

21 MRS. GILBRETH: Norman Gilbreth, G-i-l-b-r-e-t-h.

22 MR. STOVALL: He is appearing on his own behalf with  
23 respect to his own interest.

24 MRS. GILBRETH: Yes.

25 MR. STOVALL: His and yours, that is.

1 MRS. GILBRETH: Yes.

2 EXAMINER STOGNER: Are there any other appearances?

3 Mr. Kellahin, do you have any witnesses?

4 MR. KELLAHIN: No, sir.

5 (Whereupon the witnesses were duly sworn.)

6 EXAMINER STOGNER: Mr. Bruce.

7 Mr. Kellahin, is there any need for opening remarks or  
8 should we just --

9 MR. KELLAHIN: Jump in.

10 EXAMINER STOGNER: -- jump in?

11 MR. BRUCE: Just plunge ahead.

12 EXAMINER STOGNER: Okay. We'll plunge ahead.

13 Mr. Bruce.

14 JENNIFER RITCHER,

15 the Witness herein, having been first duly sworn, was  
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

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

20 A. My name is Jennifer Ritcher.

21 Q. And what is your occupation?

22 A. I'm a petroleum landman.

23 Q. Where do you reside?

24 A. I reside in Denver, Colorado.

25 Q. And who do you work for?

1 A. Maralex Resources.

2 Q. Have you previously testified before the OCD as  
3 a petroleum landman?

4 A. No.

5 Q. Would you please briefly outline your  
6 educational and professional background?

7 A. I attended the University of Colorado at Denver  
8 and received a bachelor's degree in minerals land  
9 management in 1980. Shortly thereafter I worked for  
10 Santa Fe Energy Company as a landman for five years. After  
11 Santa Fe, I worked for National Cooperative Refinery  
12 Association as a landman for five years, and most recently  
13 I am working as a landman for Maralex Resources. I've been  
14 with Maralex for two months.

15 Q. Are you familiar with the land matters involved  
16 in these three cases?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, I tender the witness as an  
19 expert landman.

20 EXAMINER STOGNER: She is so qualified.

21 Q. (By Mr. Bruce) Briefly, Miss Ritcher, could you  
22 state what Maralex seeks in each case?

23 A. Maralex seeks orders pooling all mineral  
24 interests in the Basin Fruitland Coal Gas Pool for three  
25 different proposed wells. In Case No. 10274 we seek to

1 pool all interests in Lots 1, 2, the east half of the  
2 northeast quarter and the northeast quarter of Section 18,  
3 Township 30 north, Range 11 west.

4 In Case No. 10275 we seek to pool all interests  
5 in Lots 1, 2, the east half of the northeast quarter and  
6 the northeast quarter of Section 19, Township 30 north,  
7 Range 11 west.

8 MR. STOVALL: Can we stop and check these  
9 descriptions, checking against this?

10 MR. BRUCE: Sure.

11 MR. STOVALL: I'm not sure. One of us may be reading  
12 them incorrectly.

13 Let's go back to case 10274. What are you seeking to  
14 force pool?

15 THE WITNESS: Okay. That would be Lots 1 and 2, which  
16 is the west half of the northeast quarter. Also the east  
17 half of the northeast quarter.

18 MR. BRUCE: That should be north --

19 MR. STOVALL: All right. This is advertised as Lots 1  
20 and 2, northeast quarter and east half northwest quarter.

21 THE WITNESS: Oh, okay.

22 Q. (By Mr. Bruce) Lots 1 and 2 would be the west  
23 half of the northwest quarter, would they not?

24 A. Yes, that's right.

25 Q. And then plus the east half of the northwest

1 quarter?

2 A. Uh-huh.

3 MR. STOVALL: Plus the northeast quarter?

4 THE WITNESS: Right. Right.

5 MR. STOVALL: Correct?

6 THE WITNESS: Yeah, I see what you're saying. Okay.

7 Okay. Are we -- so do we need to -- you've got  
8 10275.

9 MR. STOVALL: I think 10274 is okay. That's  
10 Section 18.

11 THE WITNESS: Okay. Yeah. 10275, which is basically  
12 the north half of Section 19, 30 north, 11 west; and 10276,  
13 which is the east half of Section 24, Township 30 north,  
14 Range 12 west, San Juan County, New Mexico.

15 Q. (By Mr. Bruce) And now would you please refer  
16 to Exhibits 1-A through 1-C -- let's take 1-A first of  
17 all -- and would you please briefly describe that for the  
18 examiner?

19 A. Exhibit 1-A is a land plat showing the ownership  
20 in the north half of Section 18. It shows the proposed  
21 location of the well and the proposed spacing unit along  
22 with the ownership within the spacing unit.

23 Q. And this would be for case 10274; is that  
24 correct?

25 A. Correct.

1 Q. And this little dot in the southwest quarter of  
2 the -- or, excuse me. In the northeast quarter of the  
3 northeast quarter there's a little circle. Would that  
4 indicate the existing well on that unit?

5 A. Yes.

6 Q. Let's move on to Exhibit 1-B, then.

7 A. Okay. Exhibit 1-B is a land plat, again showing  
8 the proposed location, located approximately in the  
9 southeast of the northeast quarter of Section 19. It shows  
10 the 320-acre units to be pooled and again the ownership  
11 within that unit for Section 19 in the north half,  
12 Case No. 10275.

13 Q. And then move on to Exhibit 1-C and describe  
14 that for the examiner.

15 A. Exhibit 1-C is a land plat, again showing the  
16 proposed spacing unit for the well. The well is located in  
17 the southeast of the northeast quarter of Section 24.

18 This map also shows ownership -- working  
19 interest ownership within the spacing unit covering the  
20 east half of Section 24. This is Case 10276.

21 Q. Now, regarding case 10274, north half of  
22 Section 18, would you please refer to Exhibit 2 and  
23 identify the interest owners again in the north half of  
24 Section 18 whom you seek to force pool and what the status  
25 briefly of your negotiations with those interest owners

1 are.

2 A. Okay. If you will take Exhibit 2 -- and I'm  
3 going to use that also to discuss Exhibit 3.

4 Q. Okay. Then also refer to Exhibit 3, then.

5 A. Exhibit 3 is a packet of correspondence that has  
6 been sent to all the owners in the north half of 18.

7 Exhibit 2 lists the parties that we wish to  
8 force pool in the north half of 18, along with the current  
9 status of our negotiations with these parties.

10 Beginning at the top of Exhibit 2 -- and then if  
11 you want to refer to Exhibit 3, they are in order according  
12 to the parties listed in 2, Exhibit 2. And they are  
13 also -- if there's -- if there's been several letters sent  
14 to these parties, the most recent correspondence is found  
15 on the top.

16 So beginning with the Seventh Day Adventist  
17 letter right on top, dated February 21st, prior to that  
18 correspondence, we've made numerous telephone calls to them  
19 requesting that they lease to Maralex. To date we have not  
20 received a response.

21 Jay Burnham, which is the second party we wish  
22 to force pool, second letter, February 6th, again numerous  
23 phone conversations with Mr. Burnham, and their most recent  
24 correspondence was February 6th, and to date no response.

25 Vern A. Oertle estate has agreed to farm out to

1 Maralex, so we do not -- we're not including them in the  
2 forced pooling.

3 C.B. Martin, care of Bernice Martin Taylor: A  
4 letter was sent May 23rd, 1990. This was a proposal  
5 requesting that they either farm out, participate or sell  
6 their interest in the proposed spacing unit, and to date we  
7 have received no response.

8 The Luke House estate: We have been unable to  
9 find an address for him. We sent notification to Luke  
10 House previously, and this was submitted under the prior  
11 spacing application, which was Order No. 9356.

12 Q. Let's stop for a minute at that.

13 You refer to Order R-9356. Was that a forced  
14 pooling order?

15 A. Yes, it was.

16 Q. Did that apply to the north half of Section 18?

17 A. Yes, it did.

18 Q. Has the time expired under which to drill a well  
19 under that order?

20 A. Yes, it has.

21 Q. Are there any other reasons why you seek to  
22 reinforce pool this north half of Section 18?

23 A. Yes. From the time that the original order was  
24 given, Maralex has secured a title opinion in preparation  
25 for drilling the well. We determined from the title

1 opinion that there were some owners we didn't know about  
2 the first forced pooling, and also there were some parties  
3 that showed up that we thought originally had an interest  
4 but now we don't think do have an interest. Therefore, we  
5 wanted to include everyone in the forced pooling.

6 Q. Okay. Go ahead with your comments.

7 A. So Luke House was previously furnished as an  
8 Exhibit for Order No. R-9356. He was -- we sent the same  
9 proposal that we had sent to Bernice Martin Taylor: to  
10 either farm out, participate or sell their interest.  
11 However, it was delivered -- it was undeliverable. So we  
12 have no current address for Luke House.

13 Henry and Mary Lund: Same situation as Luke  
14 House: sent a letter to them and it was returned as  
15 undeliverable.

16 Mary B. Taylor Hunt: She was originally sent  
17 the letter that we sent to everyone back in May of '90, and  
18 she agreed to sell her interest. However, to date we have  
19 not received an assignment from her. Therefore we include  
20 her in our application for the forced pooling.

21 Meridian Oil: We've sent several letters to  
22 Meridian and we've had numerous telephone conversations  
23 with Meridian, and Meridian advises us that they are  
24 waiting on a management decision, so we don't have an  
25 answer from them yet.

1           And Meridian falls not only in this one but also  
2 in the other two cases.

3           C and E Operators, which is W.P. Carr, et al.:  
4 Basically they will do whatever Meridian does, so once we  
5 get an answer from Meridian, we hope to get an answer from  
6 Carr, et al. But to date we have not -- we don't have any  
7 kind of a response.

8           John Richardson: That interest we think they  
9 will possibly farm out to Maralex.

10          Q.     But at this point they have not?

11          A.     Yes. At this point it's not firm, and that's  
12 why we included that in our pooling.

13          Elliott Riggs: When we originally proposed the  
14 pooling under the previous order, we believed that Elliott  
15 Riggs had an interest in the Fruitland formation. Once we  
16 secured our title opinion, we found that he did not appear  
17 of record in the Fruitland. We sent notification to him  
18 anyway because we had some doubt because he claimed he had  
19 received an interest through someone. However, this  
20 Dolores Baxter is also a stranger to title.

21          Q.     Dolores Baxter is the person he claims to claim  
22 an interest from?

23          A.     Yes. And she is also stranger to our title.

24          Q.     And just a second on that. Referring back to  
25 Exhibit 1-A, I notice at the bottom a listing of a certain

1 tract in this northeast quarter. It lists a number of  
2 undetermined owners, does it not?

3 A. Yes.

4 Q. And it's really going to take a lot of title  
5 curative work to figure out who those people are?

6 A. Yes. Yes. The title is quite complex. It's  
7 old. These people acquired their interest in the '60s, and  
8 many of them are deceased. Therefore, it's been quite --  
9 quite an onerous task to try and determine ownership.

10 We've got 19 percent out of a 40-acre tract that  
11 we really aren't sure as of this point who owns that. We  
12 believe possibly it may be some of that is Elliott Riggs,  
13 but we do not know for sure.

14 Q. Okay. Go ahead with the rest of your comments.

15 A. Okay. That's it in the north half of  
16 Section 18 --

17 Q. Okay.

18 A. -- as far as contacts, the correspondence, the  
19 status.

20 Q. Now, referring to case 10275, the north half of  
21 Section 19, would you please refer to Exhibits 4 and 6?

22 And now, Exhibits 4 and 6 refer to case 10275,  
23 do they not?

24 A. Yes, they do.

25 Q. Would you please identify those for the examiner

1 and go through them like you just did for the prior two  
2 exhibits?

3 A. Okay. Exhibit 4, El Paso: Again, care of  
4 Meridian; waiting on management. Same correspondence that  
5 you previously reviewed applies to this case.

6 Caprock Energy has agreed to farm out to  
7 Maralex.

8 Norman L. Gilbreth has agreed to farm out to  
9 Maralex.

10 Koch Exploration Company: They told us that  
11 they would not sell and that they would not farm out but  
12 they might participate, but to date no response, no final  
13 response.

14 Snyder Operating: We believe they might  
15 possibly sell. They only own one acre.

16 Thomas and Donita Fisher are currently unleased.  
17 We have a lease offer out to Thomas Fisher.

18 And the last three parties were included because  
19 their oil and gas leases do not contain pooling clauses.  
20 They do not have a working interest in the unit, per se.

21 Q. And that's Exhibit 4, and Exhibit 6 is a copy of  
22 all the correspondence regarding these interest owners?

23 A. Yes, it is.

24 Q. And one thing I might ask you: Regarding  
25 Caprock Energy, were papers signed today with Caprock

1 regarding a farm out in this?

2 A. Yes, they were.

3 Q. Then please refer to Exhibits 5 and 7. These  
4 exhibits, 5 and 7, apply to case 10276, do they not?

5 A. Yes, they do.

6 Q. Would you please go through them for the  
7 examiner?

8 A. Norman L. Gilbreth has agreed to farm out to  
9 Maralex.

10 Southland Royalty and El Paso Production  
11 Company: Again waiting on their management's decision.

12 Glen Dial, Jr.: We have sent a letter to him  
13 requesting that he farm out or participate or sell or  
14 whatever, and it's been returned as undeliverable.

15 Enid Neibaur Price: We can't even find an  
16 address for her. We can't even locate her. We've made  
17 numerous attempts to locate Enid or her heirs and have been  
18 unsuccessful, and that's outlined in this affidavit.

19 Q. That's Exhibit 7?

20 A. Uh-huh.

21 Q. The first page of Exhibit 7?

22 A. Exhibit 7. And Denver and Rio Grande Western  
23 Railroad: They have verbally agreed to lease to us. We  
24 plan on closing tomorrow.

25 Q. Okay.

1 A. And that's it.

2 Q. Does Maralex request that it be named operators  
3 of the three wells?

4 A. Yes.

5 Q. Were all interested parties notified of these  
6 three hearings?

7 A. Yes, they were.

8 Q. Referring to Exhibit 8, is that the notice  
9 letter and return receipts for Case 10274?

10 A. Yes, it is.

11 Q. And then we have an exhibit. It's marked 9 and  
12 10, and that's a copy of a letter. Could you describe what  
13 that is, please?

14 A. Yes. This is the same notification as for the  
15 previous case only we included these two as one.

16 Q. And that would be for Cases 10275 and 10276?

17 A. Yes.

18 Q. And were Exhibits 1 through 10 prepared by you,  
19 under your direction or compiled from company records?

20 A. Yes.

21 Q. And in your opinion is the granting of this  
22 application in the interest of conservation, the prevention  
23 of waste and the protection of correlative rights?

24 A. Yes.

25 Q. And will the next witness testify as to penalty

1 and production for nonconsenting interest owners?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, at this time I move the  
4 admission of Exhibits 1 through 10.

5 EXAMINER STOGNER: Are there any objections?

6 MR. KELLAHIN: No objection.

7 MR. STOVALL: Is the next witness also going to cover  
8 operating overhead and --

9 MR. BRUCE: Yes.

10 MR. STOVALL: -- all those nasty little details that  
11 go along with forced pooling cases?

12 MR. BRUCE: Yes sir. Yes.

13 MR. STOVALL: Okay. Do we have originals on your  
14 certificates of mailing for any or all of these cases?

15 THE WITNESS: Yes, I do. I can give those to you.

16 MR. STOVALL: Okay. I'd want to get those. I'd like  
17 to have those.

18 MR. BRUCE: After -- there might be a few questions  
19 after she gets excused. Maybe she can put them together.

20 MR. STOVALL: That would be a good idea.

21 EXAMINER STOGNER: Are there any objections to  
22 Exhibits 1 through 10?

23 MR. KELLAHIN: No objection.

24 EXAMINER STOGNER: Exhibits 1 through 10 will be  
25 admitted into evidence at this time.



1 the -- was it Brimhall well? There's a Brimhall. It's  
2 called the --

3 A. Yes. Yes, it's the Brimhall. Yes, the Brimhall  
4 No. 1.

5 Q. The Brimhall No. 1 well, and it's located in the  
6 southwest of the northeast -- well, it's in the northeast  
7 quarter and it's in the northeast of the northeast, right?

8 It says 45 acres and there's a circle.

9 A. Right. Right.

10 Q. That's the approximate location of the Brimhall  
11 well, isn't it?

12 A. Uh-huh.

13 Q. What's the status of that well at this point?  
14 Do you know?

15 A. I think the next witness would be perhaps better  
16 prepared to answer that.

17 Q. From a land perspective, have you examined as a  
18 landman the ownership of that well bore?

19 A. Yes, I have.

20 Q. Where does the ownership of that well bore lie  
21 at this point?

22 A. The ownership of that well bore, we believe,  
23 lies with the surface owner.

24 Q. Why do you reach that conclusion?

25 A. Because this well -- and I don't know the exact

1 dates. Mr. O'Hare would be better prepared to answer this,  
2 but this well has not produced since -- for many, many  
3 years.

4 Q. The OCD well file shows a gas disconnection  
5 certificate for the Pictured Cliffs formation in that well  
6 in 1988, I believe.

7 Do you have any information about a gas  
8 disconnect notice on that well?

9 A. I don't, no.

10 Q. Do you know whether or not the that well has  
11 been plugged and abandoned?

12 A. It has not, to my knowledge.

13 Q. Give me again now your explanation why you  
14 believe the ownership of that well bore now lies with the  
15 surface owner.

16 A. Because the well has not produced for some time,  
17 and therefore the leases that were previously held by that  
18 well have expired due to nonproduction and --

19 Q. Have you examined to seek whether or not there  
20 were any shut-in gas royalties paid to any of the lessors  
21 that had well -- had leases being held by production from  
22 that well?

23 A. We have in some cases, yes.

24 Q. Do you know if they were paid or not?

25 A. I don't believe they were.

1 Q. Which of the wells in -- which of the leases in  
2 your opinion have expired for lack of production from the  
3 Brimhall well?

4 A. The tract that is listed Seventh Day Adventist  
5 Association of Colorado that we show unleased. We believe  
6 that that expired due to nonproduction.

7 Q. Had the status of the well not been -- well, if  
8 that lease had not been held by the Brimhall well, then  
9 there was no other way to perpetuate that lease?

10 A. Right. That lease only contained acreage within  
11 the spacing unit for that well.

12 Q. Which would have been the 160 acres,  
13 approximately, in the northeast quarter of this section?

14 A. Right. Right. We don't believe it was held by  
15 any other production.

16 Q. And your examination shows that the Seventh Day  
17 Adventists have not issued another lease to anyone else?

18 A. Correct. It's unleased, as far as we know.

19 Q. When we go to the next lease, which shows  
20 Maralex Resources in 26 acres, a hundred percent --

21 A. Uh-huh.

22 Q. -- how do you reach that conclusion? Is that  
23 because of an expired lease?

24 A. Uh-huh. Uh-huh.

25 Q. That would have otherwise been held by the

1 Brimhall well that you now subsequently leased?

2 A. Right. Right.

3 Q. When we get to the Jay Burnham trust, that  
4 hundred percent, would that otherwise have been a lease  
5 held by the Brimhall well?

6 A. Yes.

7 Q. And because of your position that that well has  
8 been abandoned, the lease expired?

9 A. Yes.

10 Q. So each of those three leases were beyond their  
11 primary terms and being held by that well?

12 A. Yes, way beyond.

13 Q. And there were no other wells holding any of the  
14 acreage in any of those leases?

15 A. No.

16 Q. Does that also hold true for the 40 acres in the  
17 southwest of the northeast?

18 A. No. The southwest of the northeast quarter --  
19 that lease also had acreage in another spacing unit for  
20 another well, so therefore that 40 acres, we believe, is  
21 still held.

22 Q. Do you have a breakout of the working interest  
23 ownership under the assumption the Brimhall lease -- the  
24 well had not been abandoned and therefore those leases were  
25 still being held?

1                   Is there -- do you have a compilation of what  
2 that working interest ownership would be?

3           A.     In the Brimhall well?

4           Q.     Yes.

5           A.     If it was all still held?

6           Q.     Yes.

7           A.     Basically what we had at the prior hearing were  
8 pay sheets that were furnished from way back on that well,  
9 and that had some ownership for the well. But as far as  
10 our title goes, we don't have ownership down to the  
11 Pictured Cliffs. Our title covers just to the Fruitland.

12          Q.     Describe for me as best you can the differences,  
13 then, in the ownership you express to the Division in  
14 Case 10112, which was the prior pooling of the this  
15 acreage.

16                   What ownership were you working off of to get  
17 the working interest to be pooled in the prior case?

18          A.     In the prior case was based on pay sheets, old  
19 pay sheets, that were furnished from the previous operator  
20 of the well, and it was before we had a drilling title  
21 opinion rendered, so this new title opinion brought to  
22 light many new owners.

23          Q.     What is your understanding of who the last  
24 operator of that Brimhall well was?

25          A.     I believe it was -- I believe it was Keyes

1 Trust.

2 Q. Keyes Trust was acting as the operator of the  
3 well, as best you remember?

4 A. I believe, but again I think Mr. O'Hare might be  
5 better able to answer that.

6 Q. Based upon the title title opinion, you indicate  
7 that the breakout for this case -- now you believe in the  
8 Fruitland Coal Mr. Riggs has a 1.48272 percent interest, as  
9 shown on your Exhibit No. 2?

10 A. I'm not certain that he owns that. He believes  
11 that he got his interest from someone named Dolores Baxter.  
12 Dolores Baxter does not show up in our title opinion, so  
13 she's a stranger to title.

14 Q. I misread the display; I'm sorry. The title  
15 opinion shows no interest in Mr. Riggs in the coal --

16 A. Right.

17 Q. -- for the north half?

18 A. In the Fruitland Coal, right.

19 Q. Do you have a copy of the title opinion  
20 available?

21 A. I do, yes.

22 Q. Might I look at that?

23 A. Sure.

24 MR. KELLAHIN: I'll pass the witness. Thank you,  
25 Mr. Examiner.

1 MR. STOVALL: Mr. Examiner, for the sake of keeping  
2 order, I suggest that we examine this witness if we have  
3 any questions in 10274 before we go on and do 10275 and  
4 10276. I think we have separate cases on these particular  
5 issues.

6 EXAMINER STOGNER: Are there any other questions of  
7 this witness pertaining to 10275 and 10276?

8 MR. STOVALL: I do have some in case 10274.

9 EXAMINER STOGNER: I'm sorry. I misunderstood you.

10 Mr. Stovall.

11 EXAMINATION

12 BY MR. STOVALL:

13 Q. You are of the opinion that the well bore is  
14 owned by the Jay Burnham Trust, I guess; is that correct?

15 A. Jay Burnham Trust owns the minerals.

16 Q. They own the minerals, not the surface?

17 A. Well, as far as surface ownership we think it's  
18 Cleo Brimhall.

19 Q. Do you have permission to enter to use the well  
20 bore? Have you made any efforts to purchase it from --

21 A. Not yet.

22 Q. So would it be correct to say that you really  
23 have no authority to use this well bore at this time, and  
24 so this application really seeks to force pool the interest  
25 for a well at a location to be approved, which could be the

1 Brimhall well but may not be?

2 A. Right. It could be a reentry of that well or a  
3 new well.

4 MR. BRUCE: I think, Mr. Stovall, I believe the  
5 application and the advertisement do state in the  
6 alternative.

7 MR. STOVALL: Actually, I wasn't terribly concerned  
8 about any advertising problems.

9 MR. BRUCE: I could make a comment, Mr. Stovall,  
10 regarding legal authority on ownership of well bores. I  
11 refer to Mr. -- one of Mr. Kellahin's victories in an IBLA  
12 decision with Penrock Oil Corporation, and there are some  
13 other IBLA decisions which state that under the proper  
14 circumstances, for instance, where a well is drilled and  
15 the lease expires, the well bore is owned by the surface  
16 owner.

17 MR. STOVALL: Well, I'm not so concerned about the  
18 location of the well from a legal and notice standpoint as  
19 long as we're talking an orthodox location.

20 MR. BRUCE: Yes, we're talking orthodox.

21 MR. STOVALL: I have two concerns. One directly  
22 related to this case is I don't want us to issue an order  
23 which would appear to give authority to enter a well bore  
24 which in fact you don't have the authority to enter.

25 MR. BRUCE: And we are not asking for such an order.

1 We do want authority to force pool people for a well at a  
2 standard location, wherever that may be.

3 MR. STOVALL: Okay. Well, that solves that problem.

4 The other question, of course, is -- and it may  
5 or may not affect Maralex -- is the question of  
6 responsibility for plugging the existing well.

7 Q. (By Mr. Stovall) Have you checked the records?  
8 Are you -- do you know -- Mr. Bruce, if you want to answer,  
9 you can or we can wait for Mr. O'Hare -- but who is the  
10 operator of record on the Oil Conservation Division records  
11 for this well?

12 MR. BRUCE: I believe Mr. O'Hare has checked.

13 THE WITNESS: Yes, Mr. O'Hare --

14 MR. STOVALL: Mr. O'Hare will answer that. Okay.

15 There's also a bond issue obviously associated  
16 with this as to responsibility for this well bore. So  
17 we've raised the issue about ownership and use of it, and I  
18 think that raises those questions.

19 I think that's all I have on -- let me back up.

20 Q. (By Mr. Stovall) How long have you been working  
21 on this for Maralex, this project, either as an employee or  
22 contractor?

23 It appears you did some work for them before you  
24 actually entered their employment; is that correct?

25 A. Yeah, I did. Right. It's been a year and

1 probably three months, two months.

2 Q. And it appears to me that -- is it correct to  
3 say that your referred-to written communication with most  
4 of these interest owners took place back in the summer of  
5 1990?

6 A. 1990, uh-huh.

7 Q. Have you had conversations, telephone  
8 conversations, with most of the people?

9 A. Uh-huh. Those that we could find -- those that  
10 we could locate and get phone numbers on we followed up  
11 with telephone conversations.

12 Q. And this list which -- and we're just talking  
13 274 right now -- is a status report as of now of whatever  
14 efforts you had to attempt to get control of those  
15 interests; isn't that correct?

16 A. Yes. Yes, it is.

17 MR. STOVALL: I have no further questions now in 274.

18 EXAMINER STOGNER: Staying on 10274, are there any  
19 other questions of this witness, Mr. Kellahin?

20 MR. KELLAHIN: I don't want to burden the record by  
21 suggesting we introduce the title opinions, but perhaps I  
22 can clarify some question with this witness.

23 FURTHER CROSS-EXAMINATION

24 BY MR. KELLAHIN:

25 Q. Were there any title requirements with regards

1 to the Brimhall well and its status in the title opinion?

2 A. Yes, there are. Yes.

3 Q. Does the title examiner reach any conclusion  
4 about the status of the Brimhall well and whether or not it  
5 in fact no longer holds those prior leases?

6 A. Yes, we did. We reached the conclusion that  
7 those leases were not held, and that is why we're  
8 attempting to secure new leases.

9 Q. The title attorney reached that conclusion?

10 A. No. No. No.

11 Q. Oh, you reached that conclusion?

12 A. Maralex reached that conclusion based on the  
13 requirements in that title opinion, based on satisfaction  
14 of the requirements in the title opinion, which were to  
15 check for production and check for shut-ins, that type of  
16 requirement.

17 Q. And it's still your plan, then, to attempt to  
18 examine the Brimhall well as a possible way to utilize that  
19 well bore to enter the Fruitland Coal Gas Pool?

20 A. Yes.

21 MR. KELLAHIN: No further questions.

22 EXAMINER STOGNER: As far as 274, any more questions?

23 MR. STOVALL: I have a comment more than question.

24 At this point it appears -- well, let me ask one  
25 question.

## FURTHER EXAMINATION

1  
2 BY MR. STOVALL:

3 Q. Is it true that there are definitely some title  
4 questions with respect to the acreage to be dedicated to  
5 this well?

6 A. Yes. Yes.

7 MR. STOVALL: Mr. Bruce, I'm going to -- I would like  
8 to request that you submit in conjunction with the cards  
9 that either you or Miss Ritcher submit -- in conjunction  
10 with the service cards an affidavit of service identifying  
11 those parties who have been properly served, because I  
12 think this may be an appropriate order to identify those  
13 parties who are subject to the order so that there's no  
14 confusion as to the OCD attempting to make title  
15 determinations, but rather only identifying those parties  
16 subject to its jurisdiction for forced pooling purposes.

17 MR. BRUCE: Yes. And we -- one comment, Mr. Stovall:  
18 We've already discussed the possibility of potentially  
19 coming back and force pooling additional parties if others  
20 can be located, but I believe Maralex --

21 MR. STOVALL: I'm not so much worried about "located"  
22 as "identified."

23 MR. BRUCE: Well, that's part of the problem, but I  
24 believe Maralex would like to move forward and drill the  
25 well and therefore seeks forced pooling at this time, even

1 though there may be some additional parties who may have to  
2 be force pooled in the future who are not subject to this  
3 order.

4 MR. STOVALL: I would -- if you could provide that  
5 information so then as we review this, assuming that forced  
6 pooling is issued, I'm going to recommend to the examiner  
7 that we identify the parties subject to the order over whom  
8 the Division has jurisdiction in this case.

9 EXAMINER STOGNER: Any other questions of this witness  
10 pertaining to 10274?

11 MR. KELLAHIN: Let me follow up one last thought.

12 FURTHER CROSS-EXAMINATION

13 BY MR. KELLAHIN:

14 Q. Have you obtained releases from all the lessees  
15 that held the expired leases?

16 A. No.

17 Q. That were previously dedicated to the Brimhall  
18 well?

19 A. No.

20 Q. We don't have that solution?

21 A. No.

22 MR. KELLAHIN: Okay.

23 MR. STOVALL: I think that leaves me where I suggested  
24 we might be.

25 EXAMINER STOGNER: If there's no questions on 10274,

1 let's move on to 10275. Are there any questions of this  
2 witness pertaining to those two applications?

3 MR. STOVALL: Mr. Gilbreth, do you have any questions  
4 that you'd like to ask the witness about the case you're  
5 interested in?

6 If you have them for Mr. O'Hare, save them for  
7 Mr. O'Hare. If you have any questions about what she's  
8 testified to, go ahead and ask her now.

9 MR. GILBRETH: No, I have none.

10 EXAMINER STOGNER: If not, she may be excused at this  
11 point. We may recall Miss Ritcher later.

12 MR. BRUCE: Let me -- Mr. Examiner, I think you only  
13 mentioned 10275. Could we make sure there's no questions  
14 on 10276?

15 MR. STOVALL: I think he meant to include both.

16 EXAMINER STOGNER: I'm sorry, yes. If I didn't say  
17 that, I meant to include it.

18 MR. BRUCE: Okay.

19 Call Mr. O'Hare to the stand.

20 ALEXIS MICHAEL O'HARE,  
21 the Witness herein, having been first duly sworn, was  
22 examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Would you please state your name for the record?

1 A. My full name is Alexis Michael O'Hare.

2 Q. And whom do you work for?

3 A. Maralex Resources.

4 Q. And do you have a position with that company?

5 A. I'm the president of Maralex Resources.

6 Q. Do you also have a technical background?

7 A. That's right. I'm a registered professional  
8 engineer.

9 Q. What type of engineer are you?

10 A. Petroleum engineer.

11 Q. Have you previously testified before the OCD and  
12 had your credentials as a petroleum engineer accepted as a  
13 matter of record?

14 A. Yes, I have.

15 Q. And are you familiar with the engineering and  
16 technical matters related to these three applications?

17 A. Yes, I am.

18 Q. And as an aside, do you also have some  
19 familiarity with the lands matters involved in these cases?

20 A. Unfortunately, yes.

21 MR. BRUCE: Mr. Examiner, I would tender Mr. O'Hare as  
22 an expert engineer.

23 EXAMINER STOGNER: Mr. O'Hare is so qualified. We  
24 also may note, being a president of the corporation, it may  
25 open up his expertise in other areas.

1 Q. (By Mr. Bruce) Mr. O'Hare, referring to Case  
2 10274, would you refer to Maralex Exhibits 11 and 12 and  
3 discuss the cost of Maralex's proposed well and describe  
4 why there are two exhibits?

5 A. Exhibits 11 and 12 are authorities for  
6 expenditure. Exhibit No. 11 is for the case where we would  
7 drill a new well on the subject acreage. The total cost  
8 that we have projected for a new well completed to the  
9 tanks is \$231,210.

10 Exhibit 12 is an authority for expenditure for  
11 the recompletion of the existing Brimhall No. 1 well. The  
12 total cost has been estimated to be \$163,500 for that work.

13 We prepared two exhibits again because we have  
14 come before the Division asking that we be granted  
15 permission to pool the acreage under the north half of  
16 Section 18, either for the recompletion of the existing  
17 well bore or for the drilling of a new well, and of course,  
18 the recompletion of the existing well bore would be  
19 contingent upon obtaining approval of the owners of the  
20 existing well bore along with verifying the integrity of  
21 the existing well bore.

22 Q. Would you please then refer to Exhibit 13 and  
23 discuss the proposed well cost in case 10275?

24 A. Exhibit 13 is an authority for expenditure for  
25 the drilling of a new well in the north half northeast

1 quarter of Section 19 of Township 30, Range 11 west. We're  
2 projecting a total depth on that well of 2,100 feet, and  
3 our estimated well cost is \$236,180.

4 Q. And in the north half of Section 19 it will  
5 certainly be a new well; is that correct?

6 A. That is correct. There are no existing well  
7 bores in the north half of Section 19.

8 Q. And then for case 10276, would you refer to  
9 Exhibits 14 and 15 and discuss the cost of the proposed  
10 well?

11 A. Exhibit No. 14 is an authority for expenditure  
12 for the reentry and recompletion of an existing well bore  
13 called the Polokoff Blancett No. 1 that is located in the  
14 northeast quarter of Section 24. Our total estimated  
15 expenditure for that work is \$172,156.

16 Exhibit No. 15 is an authority for expenditure  
17 for a new well in the northeast quarter of Section 24. Our  
18 total estimated cost is \$235,750.

19 We have again prepared two authorities for  
20 expenditure contingent upon being able to utilize the  
21 existing well bore or reenter an existing well bore and  
22 recomplete it to the Fruitland coals. And if we are unable  
23 to do so, then we would request approval to pool the  
24 interest under the east half of Section 24 for a new well.

25 Q. And are these proposed well costs that you've

1 just itemized in line with those normally encountered in  
2 drilling wells at this depth in this part of the state?

3 A. Yes, we believe so.

4 Q. Do you have a recommendation as to the amount  
5 which should be paid to Maralex as operator for supervision  
6 and administration expenses?

7 A. We are recommending that \$3,000 per month be  
8 allowed for a drilling well and \$300 per month be allowed  
9 for a producing well for each of the well bores included  
10 under Orders No. 10274 through 10276.

11 Q. How do these compare with the Ernst and Young  
12 rates?

13 A. We believe these are lower than the Ernst and  
14 Young rates, and they are also lower than the normal rates  
15 charged in the San Juan Basin.

16 Q. Now, in your application you've also requested a  
17 penalty to be assessed against nonconsenting interest  
18 owners; is that correct?

19 A. That is correct.

20 Q. What penalty do you recommend?

21 A. We have asked for a 200 percent penalty.

22 Q. Now, I think you're pretty familiar with the  
23 practice in many of these coal gas oils for a 156-percent  
24 penalty; is that correct?

25 A. Yes, it is.

1 Q. Why do you request the 200 percent penalty?

2 A. We are requesting a larger penalty in order to  
3 insure our investors we'll receive a rate of return that is  
4 acceptable to them.

5 Q. And in connection with that, would you discuss  
6 the geologic and engineering risk factors for the proposed  
7 well, and first refer to Exhibit 16?

8 A. Exhibit 16 is an overall net isopach map showing  
9 the coal thickness in the area of the three wells. The  
10 proposed wells are not shown on the map, but again they are  
11 in the northeast quarters of Section 18, 19 and 24. And as  
12 you can see on this map, those three locations are  
13 coincident with the thinning of the coals in this area, and  
14 so there is some risk that commercial production from the  
15 coals is actually diminishing in this area.

16 Q. And also in connection with the risk, would you  
17 refer to Exhibits 17 and 18 and discuss the economics a  
18 little further?

19 A. Exhibit 17 is labeled "Scott Post Recompletion  
20 Economics." These economics are based on the results that  
21 we have achieved at our Scott No. 1 well, which is located  
22 in the southwest quarter of Section 18. That well was  
23 recompleted in December and just put on line in early  
24 February from the Fruitland coals.

25 Latest producing rates with the compressor are

1 150 MCF a day with about 85 barrels of water per day.  
2 Without the compressor the well was making less than 100  
3 MCF per day.

4 Our costs shown on Exhibits 11 through 15 do not  
5 include compression costs. Therefore the economics do not  
6 reflect compression.

7 What Exhibit 17 shows is that the return on  
8 investment without a nonconsent penalty is 1.28. Payout is  
9 achieved in more than 91 months, and our rate of return is  
10 less than ten percent, assuming that we achieve the same  
11 kind of producing rates that we saw on the Scott No. 1  
12 well.

13 Exhibit 18 are the reentry economics for the  
14 Blancett No. -- I'm sorry, the Polokoff Blancett No. 1 in  
15 the northeast quarter of Section 24, again assuming that we  
16 have the same kind of results that we saw on the Scott  
17 No. 1 well. The only difference here is that our capital  
18 costs have been reduced, as reflected in the AFEs, and  
19 again our payout is right at 81 months. Our return on  
20 investment without a nonconsent penalty is only 1.88, and  
21 our rate of return is just a little better than 12 percent.

22 Q. Now, your rate of return would depend on gas  
23 prices, too, would it not?

24 A. That is correct. And these economics were based  
25 on a gas provides of 120 per MCF initially with a

1 escalation of six percent per year. Current gas prices in  
2 the area are actually less than a dollar per MCF.

3 Q. And what type of gas production rate is assumed  
4 for these economics?

5 A. This assumes that we started off producing 100  
6 MCF a day, and by the end of the first year we have reached  
7 a peak rate of 200 MCF per day, and then it declines at a  
8 rate of about five percent per year.

9 Q. Are there wells in the area which don't do that  
10 well?

11 A. Yes. In fact, the Simmons No. 1, which is  
12 located in the northwest quarter of Section 15, was  
13 recompleted by Meridian in 1989. To date that well -- at  
14 least to my knowledge -- has not produced more than about  
15 70 MCF a day.

16 Q. And what about water production in this area?

17 A. We were not expecting water production to be a  
18 factor in this area until we recompleted our Scott No. 1.  
19 That well started its production with about 200 barrels of  
20 water per day, and as I mentioned before, it is down to  
21 about 80 barrels of water per day.

22 Our disposal costs right now are running just a  
23 little over two dollars per barrel, and we are definitely  
24 in a negative cash flow position on the Scott No. 1 as of  
25 this date.

1 Q. In your opinion, will the granting of these  
2 applications be in the interest of conservation, prevention  
3 of waste and the protection of correlative rights?

4 A. Yes, they will.

5 Q. And were Exhibits 11 through 18 prepared by you  
6 or under your supervision?

7 A. Yes, they were.

8 MR. BRUCE: Mr. Examiner, I move the admission of  
9 Exhibits 11 through 18.

10 EXAMINER STOGNER: Are there any objections?

11 MR. KELLAHIN: No objection.

12 EXAMINER STOGNER: Exhibits 11 through 18 will be  
13 admitted into evidence.

14 (Whereupon Applicant's Exhibits 11 through 18 were  
15 admitted into evidence.)

16 Thank you, Mr. Bruce.

17 Mr. Kellahin, I'll turn the witness to you.

18 CROSS-EXAMINATION

19 BY MR. KELLAHIN:

20 Q. Mr. O'Hare, let's use your net isopach map as an  
21 index to help me find some of these wells.

22 Am I correct in remembering that the south half  
23 of 17 was the subject of a compulsory pooling application  
24 by your company, Order R-9357?

25 A. That is correct.

1 Q. Entered on October 13th of 1990?

2 A. I don't recall the exact date, but I assume  
3 that's correct.

4 Q. Did you reenter the well? Wasn't that the Price  
5 well that was a choice for a reentry for that spacing unit?

6 A. That is what we applied for, yes, but we never  
7 did attempt the reentry on that Price well.

8 Q. Why did you not do that?

9 A. We had several problems there. One is the well  
10 bore is physically located between houses and under an  
11 overhead power line.

12 Number two, when we started to do our drill-site  
13 title opinion, we found even more complexities associated  
14 with the title on that tract than were apparent on the  
15 north half of 18, and so we elected to defer the work on  
16 that well until such time as we had completed our work in  
17 the remainder of the area.

18 Q. So you have not yet drilled a well anywhere in  
19 the south half of 17 for the coal gas production?

20 A. No, we haven't.

21 Q. Where are the wells that you have -- your  
22 company has drilled for the coal gas production on this  
23 display?

24 A. We have one well in the southwest quarter of  
25 Section 18 right where the "3" is on this map.

1 Q. And that's called the what?

2 A. The Scott No. 1.

3 Q. When did you complete that well?

4 A. It was completed in January and put on  
5 production in -- February 8th I believe was the first date  
6 of production.

7 Q. Where is the Meridian Simmons well?

8 A. It is in the northwest quarter of Section 17 at  
9 an unorthodox location.

10 Q. This net isopach map that you've presented  
11 today -- is that the same net isopach map that you  
12 presented to Examiner Morrow in Case 10113, which was on  
13 the south half of 17?

14 A. Yes, it is.

15 Q. And is it the same map that you presented to  
16 Examiner Morrow in Case 10112, which was the prior pooling  
17 of the north half of 18?

18 A. Yes, it is.

19 Q. As a result of your presentation before him in  
20 October, Examiner Morrow reduced your requested risk-factor  
21 penalty to 156 percent, did he not?

22 A. Yes, he did.

23 Q. Also in that order he awarded you overhead rates  
24 on a monthly basis of \$2,800 a month for a drilling well  
25 rate and \$280 for a producing well rate?

1 A. That is correct.

2 Q. Your request today is higher by \$120?

3 A. Yes, it is.

4 Q. Why the difference?

5 A. Well, again as you see from our title opinion  
6 and the testimony given by Mrs. Ritcher, there is quite a  
7 bit more complexities than we had originally estimated and  
8 quite a bit more paperwork required for the company to  
9 complete, just more overhead to be dealt with with this  
10 area due to title problems and curative work.

11 Q. Wouldn't those be charges inherently involved in  
12 the AFE?

13 A. For the title opinion, yes. But for the  
14 majority of the curative work and the remaining paperwork,  
15 no.

16 Q. So when we look at that category on the AFE near  
17 the bottom of it, it says, "Overhead: Land, Legal and  
18 Insurance," there's \$3,000 on one of these AFEs for that  
19 activity?

20 A. Yes. And that is the rate that we are applying  
21 for. That is the same number that we are asking to have  
22 approved today.

23 Q. When I look at the Exhibit 12, that's the AFE  
24 for the Brimhall No. 1 well?

25 A. That is for the recompletion of the Brimhall

1 No. 1, that is correct.

2 Q. The recompletion?

3 A. Right.

4 Q. In the AFE you have costs allocated for those  
5 activities of \$2,400?

6 A. That is correct.

7 Q. And that would be in the AFE cost?

8 A. Right.

9 Now, that \$2,400 is a prorated amount based on  
10 the \$3,000 per month that we are requesting.

11 Q. Have you allocated an item in the AFE to take  
12 care of the water hauling and the water production?

13 A. For the initial production during the testing of  
14 the well, we have, and it is under "Water and Hauling."

15 Q. What do you do with the water?

16 A. All of the water that is being produced on the  
17 Scott No. 1 is currently being hauled off to basin  
18 disposals, a disposal facility just north of Bloomfield.

19 Q. And they are the ones charging the two dollars a  
20 barrel for disposal?

21 A. Their rates are \$65 per load, but then we also  
22 pay trucking costs on top of that. And the average rate we  
23 have seen since we've started producing the Scott No. 1  
24 well is slightly more than two dollars per barrel.

25 Q. For the pooling of the north half of 18, are

1 your AFEs the same as the AFEs you presented to the  
2 commission?

3 A. No, they are not. There are some differences  
4 that were generated by our experience with the recompletion  
5 of the Scott No. 1 well.

6 Q. Briefly tell me the differences, if you can.

7 A. Most of the differences were in the water and  
8 hauling category, some of the labor categories and then in  
9 the supervision -- any of the categories that had to do  
10 with the time involved in the recompletion of the well and  
11 the prorated charges or allocable charges due to that time  
12 have been changed.

13 Q. Your projection of economics were based upon a  
14 particular recoverable gas volume?

15 A. That is correct.

16 Q. Describe for me your methodology in getting to  
17 your estimated ultimate recovery for the well in the north  
18 half of 18.

19 A. What we have done is take our net coal isopach  
20 map and assume a gas content for the coals in this area,  
21 apply a recovery factor to that along with an assumed --  
22 we'll call it "weight per ton" -- or "weight per unit  
23 volume of coal" to come up with a total gas recoverable,  
24 gas amount in place.

25 Q. What were the parameters you used? What were

1 those items for each of those parameters?

2 A. I don't have that information in front of me,  
3 but to the best of my recollection we used about 20 feet of  
4 net coal. We used 250 standard cubic feet per ton of coal,  
5 and we used 1,800 tons per acre for our weight of coal.

6 Q. And that gave you what volume of gas in place in  
7 the coal for that spacing unit?

8 A. Again, I don't have those numbers in front of me  
9 so any number I would give you would be purely conjecture.

10 Q. What recovery percentage were you using out of  
11 the coal?

12 A. We were using 25 to 50 percent, and the  
13 economics are based on a 25 percent recovery factor.

14 Q. What period of time did you calculate your  
15 economics over? What was the life of the well?

16 A. We took our well life from 1991 through the year  
17 2011.

18 Q. What's the basis for doing that period of time?

19 A. That is a 20-year period, and to our knowledge,  
20 there are not any intentional coal wells that -- in the  
21 San Juan Basin that have produced for anywhere close to  
22 that period.

23 As you know, the place is only about ten to 11  
24 years old. Some of the early wells were drilled in the  
25 middle '70s, and some of those are still producing. But

1 there are wells that have been plugged and abandoned due to  
2 well bore problems primarily.

3 Q. Could you turn to the Brimhall well? Give me  
4 your explanation why you believe that well is no longer  
5 holding the leases it held.

6 A. The state records show that that well has not  
7 produced since April of 1986. The leases that we were able  
8 to come upon in the title search indicated that there were  
9 no shut-in gas royalty clauses in some cases. There was no  
10 evidence in any cases that shut-in gas royalties had been  
11 paid.

12 The current mineral owners have not only been  
13 willing to negotiate with us for new leases, none of them  
14 have come back and say, "We think those leases are  
15 currently held."

16 So all that taken together has led us to the  
17 conclusion that those particular leases have expired.

18 Q. Before I mark this for introduction, Mr. O'Hare,  
19 let me have you check it for me and see if you came across  
20 this gas disconnection notice in this particular well file  
21 to make sure we're dealing in fact with the same Brimhall  
22 well.

23 I'm not positive in my own mind. It's a gas  
24 disconnect notice dated October 10th of '88. Would you  
25 look at this for me?

1 A. Sure.

2 Q. Is that the same well?

3 A. That is the same well we're talking about.

4 Q. Did you examine the well file to determine what  
5 documents were in the OCD well file for that well?

6 A. I examined the well file in Aztec, New Mexico,  
7 yes.

8 Q. And what did it tell you in terms of the last  
9 sequence of activity for that particular well?

10 You said it last produced when?

11 A. In April of 1986.

12 Q. And that was production out of the Pictured  
13 Cliffs formation?

14 A. That is correct.

15 Q. Is there any explanation in the file as to why  
16 that was the last date of production?

17 A. No, none that I saw.

18 Q. Did you as an engineer attempt to determine if  
19 there were any remaining gas reserves that could be  
20 produced out of the Pictured Cliffs for this spacing unit?

21 A. I approached the operator of record and asked  
22 him if there were, in his opinion, any reserves remaining  
23 to be produced. He indicated that --

24 Q. Who was the operator?

25 A. I'm sorry. The operator of record is B.H. and

1 M.M. Keyes. Lonnie Cunningham is the trustee of the Keyes  
2 Trust. B.H. Keyes, or Bradley Keyes, is deceased, and my  
3 understanding is that all of his property and the property  
4 jointly held with his wife, Margaret M. Keyes, has been  
5 placed into the Keyes family trust and that Lonnie Keyes is  
6 the trustee -- I'm sorry, Lonnie Cunningham is the trustee.

7 Q. Were you able to obtain -- they own the minerals  
8 in a portion of that spacing unit, do they not?

9 A. That is correct.

10 Q. Have they executed a lease to your company at  
11 this point?

12 A. They have executed a farmout agreement to farm  
13 out there acreage to Maralex Resources.

14 Q. Did you attempt to try to determine from the  
15 decline curve analysis or pressure information whether or  
16 not there was any remaining reserves in the Pictured Cliffs  
17 for this well?

18 A. Not from decline curve analysis, but I did get  
19 the pressure information from Mr. Cunningham. He indicated  
20 that shut-in -- shut-in -- surface shut-in pressure on the  
21 well was less than 120 pounds. The current line pressure  
22 in that area is about -- well, it's been varying between  
23 170 and 210 pounds. Therefore it will not produce against  
24 existing line pressure.

25 Q. In the absence of compression?

1           A.     In the absence of compression.

2                     Mr. Cunningham indicated that he had looked at  
3 compression for that well and determined that it would not  
4 be economical at existing prices, and this was a year ago  
5 when prices were in the \$1.60 to \$1.80 range. Prices are  
6 substantially lower than that now.

7                     The definition of "reserves" is -- includes a  
8 statement saying that "recoverable hydrocarbons at existing  
9 conditions." Therefore there are no remaining reserves in  
10 the Brimhall No. 1 Pictured Cliffs formation.

11           Q.     When we look at the spacing unit for the north  
12 half of 18, what is the closest completed coal gas well to  
13 the north half after the Scott well in the south half?

14           A.     It would be the Simmons No. 1. That is a  
15 Meridian-operated well in the --

16           Q.     In the northwest of 17?

17           A.     Northwest of 17.

18           Q.     And after that are any others in close  
19 proximity?

20           A.     Any others would be off of the map. Mesa has  
21 some wells to the south and east.

22           Q.     Nothing yet drilled in 13 immediately to the  
23 west of 18?

24           A.     Not to my knowledge, no.

25           Q.     And there's nothing in 7 yet, or 12, to the

1 northwest?

2 A. Not to my knowledge.

3 Q. What's your basis for control of the thickness  
4 on your isopach map?

5 A. Most of the control points are shown on this  
6 map. All points shown had open-hole logs that we used to  
7 determine the thickness of the coals, and again this is an  
8 overall coal map so it includes basal coal and several coal  
9 stringers.

10 Q. You call it a "net map." How did you get to a  
11 net map from a gross map? What did you use for a cutoff?

12 A. We used greater than one foot of coal thickness.

13 Q. In your activities to drill coal gas wells, have  
14 you reentered any other well bore to utilize it for coal  
15 gas production at this point in your coast activities?

16 A. Yes, we have. The Scott No. 1 was a  
17 recompletion of an existing well bore.

18 And in fact the Scott No. 1 was drilled in 1953,  
19 so it's a very old well bore, but we found that the  
20 mechanical condition of the well bore was excellent.

21 MR. KELLAHIN: I have no further questions. Thank  
22 you.

23 EXAMINER STOGNER: Thank you, Mr. Kellahin.

24 THE WITNESS: Mr. Examiner, Mr. Gilbreth asked me to  
25 clarify that the northeast quarter of Section 24, as to his

1 acreage, was limited to the stratigraphic equivalent of the  
2 base improvement coal formation, and so it's to his  
3 interest we are not requesting any additional formations  
4 from the surface to the base of the coal as we are for the  
5 remaining acreage in that drill site spacing unit.

6 EXAMINER STOGNER: I'm sorry.

7 MR. STOVALL: Try that again.

8 MR. KELLAHIN: Do it again, please.

9 EXAMINER STOGNER: Yes.

10 THE WITNESS: Okay. The acreage that Norman L.  
11 Gilbreth contributes to the drill site spacing unit in  
12 Section 24 is limited solely to the stratigraphic  
13 equivalent of the Fruitland coal -- the Basin Fruitland  
14 Coal formation, whereas our request for the pooling asks  
15 that all formations from the surface of the earth to the  
16 base of the Basin Fruitland and Coal formation be pooled.

17 EXAMINER STOGNER: I'm looking at your February 25th  
18 application from Miss Jennifer Ritcher, who states in her  
19 application:

20 "Per our telephone conversation of  
21 February 22nd, 1991, I request that you include the  
22 following application for compulsory pooling of the Basin  
23 Fruitland Coal Formation."

24 And what you're telling me today is not what the  
25 application was for. Am I missing something?



1 who is going to be responsible for drilling this well, what  
2 is your company's position and your position with respect  
3 to the use of the Brimhall well at this time?

4 Do you have the right to use it?

5 A. No. We have not yet secured the right to use  
6 the well bore.

7 Q. And who do you believe is the owner of that well  
8 bore from whom you must secure that authority?

9 A. As of this moment, we believe that Cleo  
10 Jenkins -- or Cleo Brimhall is the owner of the well bore  
11 by virtue of his ownership of the surface.

12 Q. And I believe there's some question on  
13 Mr. Riggs' part -- Mr. Kellahin, correct me if I'm wrong --  
14 that Mr. Riggs believes he owns an interest in that well  
15 bore, and that it is still --

16 MR. KELLAHIN: That's what he's represented to me,  
17 Mr. Stovall. Unfortunately, he was not able to be here  
18 today so I can't confirm it with him.

19 Q. (By Mr. Stovall) Again, I would like to make  
20 very clear that in the context of a forced pooling order  
21 that no order can -- that we issue can give you ownership  
22 of a well bore that you would not have otherwise have  
23 ownership to. We don't determine that ownership.

24 A. We understand that.

25 Q. It's a legal matter, so I don't want you to do

1 something on the basis of an order we issue and find out  
2 that you really don't own it.

3 MR. STOVALL: I think we can move on to the 275 and  
4 276.

5 I have no further questions on 274.

6 EXAMINER STOGNER: Any other questions on 274?

7 Okay. Let's move on to 275 and 276.

8 MR. STOVALL: Mr. Gilbreth, do you have any questions  
9 for Mr. O'Hare on your cases?

10 MR. GILBRETH: Yes. I'd like to ask Mr. O'Hare if  
11 your recommendation for forced pooling from the surface to  
12 the basin of Fruitland coal also applies to Section 19.

13 MR. STOVALL: Mr. Gilbreth, I think we have determined  
14 that his application does not go from the surface to the  
15 base. It only applies to the Fruitland coal, so he doesn't  
16 have an application for that.

17 MR. GILBRETH: Oh.

18 MR. STOVALL: He only has an application to force pool  
19 the Fruitland coal, so that eliminates that concern.

20 MR. GILBRETH: I do have one other question.

21 Mr. O'Hare shows that -- if I can figure this  
22 out now. On May the 11th of 1990 he had me signing a  
23 farmout agreement for Township 30 and 11 and 12, Range 11  
24 and Range 12.

25 MR. STOVALL: What are you looking at, Mr. Gilbreth?

1 MR. GILBRETH: Exhibit 7.

2 MR. STOVALL: Okay. We're in which case? 275?

3 MR. BRUCE: That would be 276, I believe.

4 I believe that covered both cases.

5 MR. GILBRETH: Now, that's page 1, page 2 and page 3.

6 MR. STOVALL: Just a second. Let's find the exhibit.

7 We've got them kind of sorted by case here. If you give us  
8 a minute, then we'll --

9 MR. BRUCE: It's Exhibit 7. That starts out with an  
10 affidavit.

11 MR. STOVALL: It's part of Exhibit 7?

12 MR. BRUCE: Right.

13 MR. STOVALL: I've got a letter here. I'm looking at  
14 Case 276, and I've got a -- oh, I see. Exhibit 7, a letter  
15 to Mr. Gilbreth, dated May 11th, 1990; is that correct? Is  
16 that the one we're looking at?

17 MR. GILBRETH: Yes.

18 MR. STOVALL: Okay. Now go ahead with your question.

19 MR. GILBRETH: All right. He shows that I signed a  
20 farmout agreement of May 11th, 1990, where I actually  
21 signed it June the 6th of 1990.

22 MR. STOVALL: Well, I think it says -- I don't think  
23 that's a -- is that an issue? Is that -- I mean, your  
24 signature line does say the 6th, but that's not a --

25 MR. GILBRETH: It shows I signed another one in April

1 the 27th of 1990.

2 MR. STOVALL: On the same land?

3 MR. GILBRETH: On the same land. May the 3rd. I'm  
4 not sure -- I'm not sure what the problem is.

5 MR. STOVALL: Well, it appears to me, Mr. Gilbreth,  
6 that the May 11th letter refers to in paragraph 1 --

7 MR. GILBRETH: Okay. An extension. Yes, sir, I  
8 thought of that.

9 MR. STOVALL: Yes, he's talking about an extension to  
10 that letter, and then there's a description change so I'm  
11 not -- now, if you'd like to -- would it be better for you  
12 to be sworn and attempt to clarify?

13 If you've joined the well, if you're agreeing to  
14 join the well, you don't particularly have a problem. If  
15 you'd like to clarify something on the record, we can have  
16 you sworn and you can testify as to what you believe to be  
17 the facts with respect -- after Mr. O'Hare is through.

18 Otherwise you can ask him questions if you want  
19 to, but let's take the most direct and efficient way to get  
20 to it.

21 MR. BRUCE: Perhaps Mr. O'Hare could just comment on  
22 it just briefly.

23 MR. STOVALL: Okay.

24 THE WITNESS: I'd be happy to.

25 The April 27th letter was our original letter to

1 Mr. Gilbreth whereby we sought his approval to farm out his  
2 lands in Township 30 north, Range 12 west, and  
3 Township 30 north, Range 11 west.

4 Mr. Gilbreth executed that letter contingent  
5 upon the removal of the lands in Township 30 north,  
6 Range 11 west. When we received that executed agreement,  
7 we talked to Mr. Gilbreth and asked him if we could  
8 reinstate the lands in Township 30 north, Range 11 west,  
9 and got him to agree to that. We then went back and  
10 prepared the May 11th letter whereby we also expounded upon  
11 the definition of the farmout terms and the payout, payout  
12 definition.

13 The last paragraph of that letter also amended  
14 the previous agreement to allow the joint operating  
15 agreement to go into effect at the first date -- at the  
16 date of first gas sales of the initial test well rather  
17 than the payout of the initial test well, since the terms  
18 of the agreement called for a ten percent carried working  
19 interest to Mr. Gilbreth. And that was accepted by him and  
20 agreed to on the 6th day of June of 1990.

21 MR. STOVALL: Mr. Gilbreth, I think you can answer  
22 this question without the necessity of being sworn.

23 Is that your understanding? Did he correctly  
24 state what you understand these two letters to do?

25 MR. GILBRETH: Pretty much. However, in Section 13,

1 the east half, are you saying that that farmout included  
2 that -- that acreage?

3 THE WITNESS: That was included in the original  
4 agreement, yes.

5 MRS. GILBRETH: But wasn't it --

6 THE WITNESS: It was never -- I'm sorry.

7 MR. STOVALL: Well, let's keep it clear here. If we  
8 can get one of you to ask, just for the court reporter's  
9 benefit as much as anything.

10 Discuss it with each other and then one --  
11 Mr. Gilbreth, if you'd ask it, it just makes it easier to  
12 read the transcript.

13 THE WITNESS: Section 13 was part of a parcel that  
14 Mr. Riggs had an interest in, and in our preliminary  
15 discussions with Mr. Riggs he had indicated that there was  
16 no way he would allow any kind of well to be drilled in the  
17 east half of Section 13. He apparently owns both the  
18 minerals and the surface in the northeast quarter of  
19 Section 13.

20 We had attempted to strike an agreement with  
21 Mr. Riggs to where he would not contest our pooling of the  
22 acreage in Sections 18, the north half of 18, and the south  
23 half of 17, and under that agreement Maralex would not  
24 attempt to force pool his acreage in the east half of  
25 Section 13.

1           And that was relayed to Mr. and Mrs. Gilbreth,  
2 and again I had attempted to leave the door open with  
3 Mr. Riggs to where at some point in the future, if we could  
4 prove that the wells would be economically beneficial to  
5 Mr. Riggs, we would be able to come back to him and try to  
6 get his cooperation in the east half of Section 13.

7           MR. STOVALL: I think -- let me just stop it right  
8 here and not go into too much more detail in Section 13.

9           Mr. Gilbreth, it appears -- Section 13 appears  
10 to be covered by the agreement. It is not the subject of  
11 these cases, and I don't know what the rest of the  
12 agreement says as far as Maralex's continuing obligation to  
13 drill or how they would earn that acreage.

14           If you have concerns about that, I would  
15 recommend that you discuss them with Mr. O'Hare, and since  
16 you're both here at the same time, on the same day, in the  
17 same town, it might be the best time to clarify that.

18           And I will tell you simply that the order will  
19 not affect your agreement with Mr. Gilbreth -- I mean --  
20 excuse me -- Mr. O'Hare and Maralex outside of two sections  
21 that are the subject matter of the cases.

22           The other thing I'll tell you is that if you  
23 reached an agreement and if he's drilling with your -- got  
24 your interest joined with your permission, the order is not  
25 going to affect you at all. You're not a party to this,

1 and you will not be subject to the order if you've reached  
2 an agreement with him.

3 So if that helps you clarify --

4 MR. GILBRETH: It does.

5 MR. STOVALL: -- what's going to happen, what's going  
6 on here and what you do with him. This is only a small  
7 part of the total picture.

8 MR. GILBRETH: Right.

9 MR. STOVALL: Any other questions for Mr. O'Hare?

10 Mr. Gilbreth, do you have any other questions?

11 MR. GILBRETH: I believe not.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. O'Hare, are you -- is Maralex a party to the  
15 ongoing --

16 EXAMINER STOGNER: Is it GRI study, Mr. Stovall?

17 MR. STOVALL: Well, it's actually the Fruitland Coal  
18 Bed Methane Committee. Are you a participant in that?

19 THE WITNESS: I personally was a participant when I  
20 was employed with the National Cooperative Refinery  
21 Association. However, when I terminated my employment with  
22 NCRA, I essentially resigned my involvement with the Coal  
23 Bed Methane Committee just due to lack of time.

24 MR. STOVALL: When was that?

25 THE WITNESS: That was in January of 1990.

1 Q. (By Examiner Stogner) Are you a party of record  
2 to the ongoing case --

3 EXAMINER STOGNER: Which case is that, Mr. Stovall?

4 MR. BRUCE: 9420, reopened.

5 Q. (By Examiner Stogner) Are you a party to that?

6 A. No, I'm not.

7 MR. STOVALL: Let me back up and ask you a couple of  
8 quick geologic questions.

9 FURTHER EXAMINATION

10 BY MR. STOVALL:

11 Q. First, this map -- it indicates on the bottom  
12 was drafted by Rocky Mountain Cartography.

13 What role -- what did Rocky Mountain Cartography  
14 do? Did they do any interpretation, or did they just  
15 simply draft it?

16 A. No, simply draft it. And they took my  
17 interpretation and made it look pretty.

18 Q. So this is your geologic interpretation of  
19 Fruitland Coal?

20 A. That is correct.

21 Q. Have you had the opportunity to review any of  
22 the study work done by ICF Resources for the Coal Bed  
23 Methane Committee?

24 A. Maybe not specifically the work they are doing  
25 for the committee, but I have reviewed a large amount of

1 ICF Resources work in the San Juan Basin both for clients  
2 and for my own behalf.

3 Q. And are you aware that a part of their report is  
4 a case -- which is -- the first half of which has been  
5 heard and the second half of which will be heard on  
6 April 4 -- the coal thickness is not necessarily related to  
7 productive potential of a well, a very thick coal and a  
8 very poor producer?

9 A. Yes, I am. ICF Resource's contention is that  
10 productivity of the coals is controlled more by  
11 permeability than coal thickness, although there are other  
12 factors like pressure and gas content, but the primary  
13 controlling factor is permeability.

14 Q. How would that affect your opinion as to the  
15 element of risk in this particular area, given the fact  
16 that the standard for the pool is 156 percent?

17 A. Again, we acknowledge that the coals are in  
18 place and there's very low risk that we will not encounter  
19 the coals. Our contention is that the risk is in achieving  
20 an economic well bore in leading certain economic criteria,  
21 and we feel that the only way to offset that risk is to  
22 increase the risk penalty.

23 Q. And economic criteria is individualized to a  
24 particular company, is it not?

25 A. That is correct.

1 Q. And the economics you presented are your  
2 economics in -- what is it? -- 17 and 18, I believe?

3 A. Right.

4 MR. STOVALL: I have no further questions.

5 EXAMINER STOGNER: Are there any other questions of  
6 this witness?

7 If not, he may be excused.

8 Are there any closing statements, Mr. Bruce or  
9 Mr. Kellahin?

10 MR. KELLAHIN: I'd like to suggest, Mr. Stovall, that  
11 you take administrative notice of Case 10112, Order  
12 No. R-9356. I think I have a complete copy of the  
13 transcript and exhibits here. If not, I can compile one in  
14 a moment.

15 MR. STOVALL: On what specific issue?

16 MR. KELLAHIN: On the specific issue of the  
17 risk-factor penalty, the overhead rates applied to that  
18 prior case.

19 MR. STOVALL: Mr. Bruce, go ahead.

20 No. Did you have a response to that?

21 MR. BRUCE: No. I don't think it matters to me either  
22 way.

23 THE WITNESS: I do, if I may.

24 MR. KELLAHIN: Well, I think they are admissible  
25 because they are entirely relevant. Now, to the extent the

1 examiner wants to utilize it, that's perhaps to be seen in  
2 closing arguments, but they certainly involve the same  
3 subject matter. It's a recent forced pooling case by this  
4 particular party, and we think it's appropriate to compare  
5 Mr. O'Hare's testimony under oath in October to what we  
6 have had today and let the examiner resolve those issues.

7 EXAMINER STOGNER: Mr. Bruce.

8 MR. BRUCE: And I think it's well within the  
9 jurisdiction of the Division to take notice of its files  
10 whenever it needs to.

11 I would merely point out, as Mr. O'Hare has  
12 testified on the record in that particular case, 10274,  
13 that factors have changed since that time, primarily gas  
14 price, which would justify the higher overhead rates.

15 And I would also point out, as Mr. O'Hare  
16 testified, that these rates are lower than Ernst and Young  
17 rates, and I believe he testified that they are lower than  
18 many other operators in this area.

19 MR. STOVALL: I would suggest we can take notice of  
20 this particular case, but we are also -- have done lots of  
21 forced pooling in the Fruitland Coal, and I think the  
22 Division is pretty well aware in -- that may be -- have  
23 some specific relevance, but it's not the only thing that  
24 we'll be aware of in evaluating those factors.

25 EXAMINER STOGNER: In answer to your question,

1 Mr. Kellahin, I will take administrative notice of  
2 Case 10112 in particular.

3 Are we ready for closing statements?

4 MR. BRUCE: Certainly.

5 EXAMINER STOGNER: Before we do -- Mr. Kellahin, I'll  
6 let you go first.

7 Mr. Bruce, I'll let you follow.

8 MR. KELLAHIN: Mr. Examiner, I'm concerned about the  
9 ability of the Division to enter an order that in any way  
10 appears to provide Maralex the opportunity to reenter the  
11 Brimhall No. 1 well. It will always -- whatever you do, if  
12 you enter such an order that provides that opportunity, it  
13 will be -- it will have the appearance of vesting Maralex  
14 with the authority to make that entry.

15 I think it would be a difficult drafting matter  
16 to provide for the reentry of that well without first  
17 establishing the predicate that they have the right to  
18 reenter it. Mr. O'Hare testifies that he does not yet have  
19 that right. I am not satisfied that the surface owner in  
20 fact owns that well bore, so there is a significant problem  
21 that we need to resolve with regard to the ownership of the  
22 Brimhall well.

23 I would suggest that the time might be best  
24 served if you'll give us an opportunity to submit legal  
25 argument to you on what we think is the appropriate

1 resolution of the Brimhall well. I'm not satisfied that  
2 Mr. Bruce is correct that the ownership belongs to the  
3 surface owner at this point.

4 MR. STOVALL: Mr. Kellahin, may I interrupt you for  
5 just a moment and ask a question because I also share your  
6 concern?

7 Is it appropriate -- and, Mr. Bruce, I'd like  
8 your response too -- to order an authorizing -- if forced  
9 pooling is granted -- authorizing a well at an orthodox  
10 location without specifying the location or authorizing  
11 specifically the reentry, that being required through  
12 filing of an EPD for either a new well or reentry, rather  
13 than -- because I'm aware of your concern, sensitive to  
14 your concern on that.

15 Do you have a problem with a generic, a more  
16 generic approval of a forced pooling?

17 MR. KELLAHIN: The Brimhall well is at a 990 location,  
18 which satisfies, I think, the standard well locations for a  
19 coal gas well. And so if you entered a forced pooling  
20 order allowing Maralex to force pool the coal gas  
21 formations on 320 for a well to be located in the northeast  
22 quarter at a standard location, perhaps that's all you need  
23 to do, and let them resolve in another way the ownership of  
24 the Brimhall well and the liability and responsibility for  
25 entering that well bore and not utilize the pooling order

1 as having any appearance that it authorizes that activity.

2 MR. BRUCE: As both witnesses testified, they are not  
3 seeking to reenter a well that they have no rights to  
4 reenter. The prior order stated that the unit in the north  
5 half of Section 18 would be dedicated to either the  
6 existing well or a new well to be drilled, and I think that  
7 would satisfy the requirements.

8 However, certainly as long as the order  
9 authorized completion at an orthodox location, that would  
10 totally leave it up to Maralex to deal with the owner of  
11 the well bore, and it would not foreclose, of course, on  
12 the other hand, Maralex from drilling at that existing well  
13 bore if indeed it had the right to do so.

14 MR. STOVALL: That -- I think that is appropriate in  
15 this case. That's my recommendation. I think that solves  
16 that issue.

17 MR. KELLAHIN: And I think it's a cleaner resolution  
18 of that problem.

19 As to the overhead rates, we'd ask the examiner  
20 to compare Mr. O'Hare's testimony in October with his  
21 testimony today. We would ask that you compare his  
22 economic arguments then with now. I think you will come to  
23 the conclusion that there's no justification to give  
24 Maralex a special risk-factor penalty over and above the  
25 150 percent that has been substantially utilized by the

1 Division for everyone else that has come forward on that  
2 topic.

3 And that's all the comments I have.

4 EXAMINER STOGNER: Thank you, Mr. Kellahin.

5 Mr. Bruce.

6 MR. BRUCE: I really have no further comments other  
7 than the fact that I -- once again, Mr. O'Hare has  
8 supported his requested 200 percent penalty with  
9 substantial testimony, and we believe the 200 percent  
10 should be granted. And with that, we would request that  
11 the order be issued.

12 EXAMINER STOGNER: Thank you, Mr. Bruce.

13 Does anybody else have anything further in any  
14 of these cases? If not, I'll take --

15 MR. STOVALL: Let me ask Mr. Bruce again -- let me  
16 clarify.

17 Do we have title questions on all three of the  
18 cases, or are Sections -- is it only Section 18 that's got  
19 this significant title problem?

20 MR. BRUCE: Section 18 there are a few minor  
21 questions.

22 MR. STOVALL: Would you submit an affidavit with an  
23 Exhibit A identifying the parties notified for all three  
24 cases?

25 MR. BRUCE: Yes.

1 MR. STOVALL: And then we will review that and  
2 determine whether we need to specifically identify that in  
3 the forced pooling order, as to whom -- who is subject to  
4 jurisdiction.

5 MR. BRUCE: In answer to your question, although there  
6 are some -- I believe some relatively minor -- well, for  
7 instance, on Case 10276 there are some unlocateable  
8 interest owners. Other than that, there are no title  
9 problems, and of course since they are unlocateable, the  
10 advertisement took care of notifying them.

11 On Section -- north half of Section 19, there  
12 are a couple of questions, but I believe the landman will  
13 be clarifying those with her curative work, and as we  
14 previously discussed, the primary question results to a  
15 40-acre tract the southwest of the northeast of Section 18.

16 MR. STOVALL: Okay. But we will need affidavits.

17 MR. BRUCE: But we will submit affidavits on each  
18 case.

19 EXAMINER STOGNER: If there's nothing further in any  
20 of these cases, I'll take cases 10274, 275 and 276 under  
21 advisement.

22 Let's take a ten-minute recess, and then we'll  
23 finish the docket up.

24 (The foregoing hearing was concluded at the  
25 approximate hour of 3:35 p.m.)

