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

CASE 10,776

EXAMINER HEARING

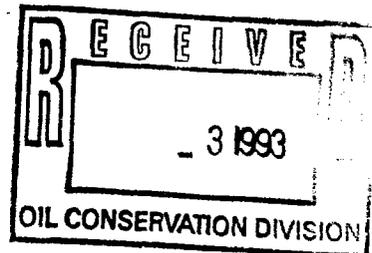
IN THE MATTER OF:

Application of Drum Energy Corporation for
compulsory pooling, Lea County, New Mexico

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER



STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

July 29th, 1993

A P P E A R A N C E S

FOR THE DIVISION:

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1 WHEREUPON, the following proceedings were had
2 at 10:20 a.m.:

3 EXAMINER STOGNER: Call next case, Number
4 10,776.

5 MR. STOVALL: Application of Drum energy
6 Corporation for compulsory pooling, Lea County, New
7 Mexico.

8 EXAMINER STOGNER: Call for appearances.

9 MS. AUBREY: Karen Aubrey, Santa Fe, New
10 Mexico, representing the Applicant. I have two
11 witnesses to be sworn.

12 EXAMINER STOGNER: Are there any other
13 appearances?

14 Will the witnesses please stand to be sworn?
15 (Thereupon, the witnesses were sworn.)

16 EXAMINER STOGNER: Ms. Aubrey?

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

20 DIRECT EXAMINATION

21 BY MS. AUBREY:

22 Q. State your name, place of residence and
23 occupation.

24 A. My name is Joe Alexander. I'm from Midland,
25 Texas, and I'm an independent landman.

1 Q. And in this case are you working with Drum
2 Energy Corporation as -- to provide land testimony in
3 this case?

4 A. Yes, I am.

5 Q. Have you testified previously before the New
6 Mexico Oil Conservation Division and had your
7 qualifications made a matter of record?

8 A. Yes, I have.

9 Q. And you're a petroleum landman; is that
10 right, Mr. Alexander?

11 A. Yes, ma'am.

12 MS. AUBREY: Mr. Stogner, I tender Mr.
13 Alexander as an expert in petroleum land titles.

14 EXAMINER STOGNER: Mr. Alexander is so
15 qualified.

16 Q. (By Ms. Aubrey) Mr. Alexander, can you
17 briefly state what Drum Energy Corporation seeks by its
18 Application today?

19 A. Drum energy is seeking to force-pool certain
20 of the interests to obtain -- to be able to drill a
21 well in the southwest quarter of Section 35 in Township
22 1 South, Range 35 East.

23 Q. And have you personally performed the search
24 of the public records and calculated and compiled the
25 working interest in the southeast quarter of the

1 southeast quarter of Section 35?

2 A. I have.

3 Q. Let me have you refer to Drum Energy's
4 Exhibit Number 1, which is an area map. Do you have
5 that in front of you, Mr. Alexander?

6 A. Yes, ma'am.

7 Q. Does that show the proposed proration unit?

8 A. It does.

9 Q. And the proposed well location?

10 A. Yes, ma'am, it does.

11 Q. This case has been advertised as a case
12 pooling either the 160-acre proration unit or a 40-acre
13 oil proration unit --

14 A. Yes, ma'am.

15 Q. -- you understand that?

16 And if so, have you examined the land titles
17 with regard to both proposed proration units?

18 A. Yes, ma'am, I have.

19 Q. In your examination of the land title and
20 working interests, have you discovered whether these
21 interests are undivided across the 160?

22 A. Yes, ma'am, they are undivided across the
23 160.

24 Q. Are there any interests in the 40-acre tract
25 which are not also present in the same percentage in

1 the 160?

2 A. No, there aren't.

3 Q. Let me have you look now at Exhibit Number 2.
4 Did you prepare this exhibit, Mr. Alexander?

5 A. Yes, ma'am, I did.

6 Q. This is a list of working interest ownership
7 in the 160; is that correct?

8 A. Yes, it is.

9 Q. And except for Drum Energy, which is the
10 first entry on your list, the remaining parties listed
11 and their percentage of interest are parties which have
12 not agreed to participate in the well; is that correct?

13 A. That's correct.

14 Q. I understand that you've recently received a
15 lease from one of the parties on this list to Mr.
16 Charles H. Coll; is that right?

17 A. That's right.

18 Q. Okay. So Mr. Coll has signed a lease with
19 Drum Energy?

20 A. Yes, he has.

21 Q. So is it Drum's request that he be removed
22 from the list of parties to be --

23 A. Yes, it is.

24 Q. Let me have you look now at Exhibit Number 3.
25 Can you describe for the Examiner what that is?

1 A. This is a letter that was sent out by Drum
2 Energy Corporation to all of the people -- It was sent
3 out on June 11th, and it was sent to all of the people
4 who had not at that time agreed to join with Drum
5 Energy in the drilling of the well.

6 The letter offered to either lease the
7 interest or it included an AFE for their signature for
8 an agreement to join in the drilling of the well.

9 Q. Now, Exhibit Number 3 is a letter to Mr. W.
10 Rey Williams; is that correct?

11 A. Yes, it is.

12 Q. Do you know whether or not the exact same
13 letter was sent to all parties to be pooled with the
14 exception of the name of the party and the description
15 of the amount of the interest?

16 A. Yes, it was.

17 Q. Do you know whether or not all parties to be
18 pooled received an AFE for the proposed well?

19 A. Yes, they did.

20 Q. Can you briefly describe for the Examiner
21 what efforts you made as a landman prior to June 11th,
22 1993, to obtain the voluntary participation of the
23 working interest owners in the proposed well?

24 A. My efforts consisted of attempting to contact
25 or locate all of these owners. I did so by telephone.

1 The ones that I was able to locate, I attempted to
2 negotiate with.

3 I sent letters to some of them. In some of
4 the cases, they agreed to our terms but were unable for
5 one reason or another to follow through or had not at
6 the date of this letter come up with terms that we had
7 agreed on.

8 Q. Were there any parties on this list, your
9 Exhibit Number 2, which you were unable to speak with
10 or locate?

11 A. Yes, there were.

12 Q. Who were they?

13 A. W. Rey Williams is a person. He obtained his
14 interest in 1930, and that is the only instrument of
15 record in the records of Lea County that even has his
16 name on it. I obtained two subsequent addresses. We
17 have attempted to contact him at both addresses and we
18 have been unable to do so. And the letter of June 11th
19 came back to us, was sent out certified mail and came
20 in, returned to us as undeliverable.

21 Q. Attached to Exhibit 2 [sic] is a photocopy of
22 an envelope. Is that the copy of the certified letter
23 you sent to Mr. Williams that was --

24 A. Yes.

25 Q. When you checked the Lea County records for

1 Mr. Williams, were you able to find even a 1930 address
2 for him?

3 A. No, I was not.

4 Q. Why was that?

5 A. His -- The deed that was given to him was
6 returned to the grantor of the deed; it was not
7 returned to the grantee. And therefore, I have no way
8 of knowing if he was even -- what county or state the
9 man was living in at the time.

10 Q. Were you able to locate a Mr. Rey Williams or
11 a W.R. Williams in Tulsa, Oklahoma?

12 A. I was subsequently able to find a W.R.
13 Williams in the city directory, in the phone books of
14 Tulsa, Oklahoma.

15 Q. And did you provide -- Is that the address
16 that you sent the June 11th letter to?

17 A. That is.

18 Q. Is there anyone else on Exhibit Number 2 that
19 you weren't able to locate?

20 A. Yes, Charles Lee and Emma Lee.

21 Q. What efforts did you make to locate Mr. and
22 Mrs. Lee?

23 A. I found out that their interest had come to
24 them by one of the -- or was sold to them by one of the
25 other interest owners that I was negotiating with or an

1 heir of one of the other interest owners that I was
2 negotiating with.

3 In contacting her, I found out that she was
4 well acquainted with both Mr. and Mrs. Lee, and she
5 stated that Mr. Lee had died back in the 1950s and that
6 Mrs. Lee had remained in Tulsa until the 1960s, and
7 then she had moved to California. And she at that time
8 was going to attempt to locate some of the heirs for
9 me.

10 Subsequent to that time, she has not been
11 able to locate anyone, any of their heirs or any of
12 their relations.

13 The fact that Mr. Lee and Mrs. Lee have moved
14 from Tulsa was subsequently verified by the fact that
15 -- and the city directory showed them there through
16 1961, and they were no longer at the address that we
17 have for them.

18 I contacted the probate court in Oklahoma.
19 They have no record of a probate on either Mr. or Mrs.
20 Lee.

21 Q. Where did you obtain the address that was
22 used for the purpose of providing notice of this
23 hearing in the Application that was filed by Drum
24 Energy?

25 A. That is the address that appeared in the city

1 directories and the phone books for the period of the
2 1950s and 1960s.

3 Q. So that was their last -- as far as you were
4 able to discover, the last known address?

5 A. That's the last known address.

6 Q. Is there anyone else on the list that you
7 were unable to locate?

8 A. No.

9 Q. Mr. Alexander, is Drum Energy seeking to be
10 named as operator of this well?

11 A. Yes, they are.

12 Q. Let me have you look now at Exhibit Number 4,
13 which is a certificate of mailing and compliance with
14 the New Mexico Oil Conservation Division Rule 1207.
15 Attached to the exhibit are photocopies of the post
16 office return receipt cards; is that correct? --

17 A. Yes, ma'am.

18 Q. -- showing the mailing of the Application and
19 notice in this case; is that correct?

20 A. That's correct.

21 Q. Mr. Alexander, were Exhibits 1 through 4
22 prepared by you or under your direction and
23 supervision?

24 A. Yes, ma'am, they were.

25 MS. AUBREY: Mr. Stogner, I offer Exhibits 1

1 through 4.

2 EXAMINER STOGNER: Exhibits 1 through 4 will
3 be admitted into evidence at this time.

4 MS. AUBREY: I have no more questions of the
5 witness at this time.

6 EXAMINER STOGNER: Mr. Stovall?

7 EXAMINATION

8 BY MR. STOVALL:

9 Q. I assume you have not brought any of the
10 other letters that you've sent; is that correct? Other
11 than the June 11th?

12 A. I have some of them in my possession, yes.

13 MS. AUBREY: We didn't mark them as an
14 exhibit, Mr. Stovall. I'll be happy to do that at this
15 time if you request it.

16 MR. STOVALL: I don't think it would hurt,
17 given our earlier -- I think you were here earlier.

18 MS. AUBREY: Yes, sir.

19 MR. STOVALL: I think it would be helpful to
20 the Division to have previous correspondence marked and
21 a copy submitted.

22 MS. AUBREY: May we then mark those as
23 Exhibit 2A and submit them at the close of the hearing?
24 Would that be acceptable?

25 EXAMINER STOGNER: That would be fine.

1 Q. (By Mr. Stovall) You say you have checked
2 probate records for Mr. Williams?

3 A. Yes.

4 Q. In Tulsa?

5 A. In Tulsa, yes.

6 Q. Let's see, we're in Lea County. Have you
7 checked the General Grantor/Grantee Indexes of Lea
8 County in general --

9 A. Yes.

10 Q. -- or did you check with respect to this
11 tract?

12 A. The Grantor/Grantee alphanumeric, yes, I've
13 checked them for other indications of these people.
14 They do not show --

15 Q. For both Williams and -- Who is it? Lee?

16 A. Williams and lee.

17 MR. STOVALL: I don't have any further
18 questions.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr. Alexander, in looking at Exhibit Number
22 1, and particularly the southwest quarter of Section
23 35, I know this is a copy of a Midland Map Company
24 publication, but your testimony stated that this is --
25 all the interest shown is undivided.

1 But whenever I take a look at Exhibit Number
2 1, it would appear to me that some of this is divided,
3 but that's not the case as I understand it?

4 A. No, no.

5 Q. Is there a discrepancy there or --

6 A. It's undivided under the entire southwest
7 quarter, sir. Perhaps if I knew what you were
8 referring to, I could explain.

9 Q. Okay, looking at the boxes, let's see, your
10 red dot covers one up --

11 A. Right.

12 Q. -- but there's one up there, the G.O. Keith,
13 et al.? Those lines usually represent a different
14 lease. At least, that's what they usually represent.

15 A. I do not know what these lines on the map
16 represent, sir. All I know is what is in the record,
17 and the record shows these interests to be undivided.

18 Q. Okay. So regardless, then, the percentage
19 then would be the same, regardless if it was a 40-acre
20 proration unit or a 160?

21 A. That's correct.

22 EXAMINER STOGNER: I have no other questions
23 of Mr. Alexander.

24 MR. STOVALL: I have none.

25 EXAMINER STOGNER: You may be excused.

1 MS. AUBREY: Call David Mussett.

2 DAVID MUSSETT,

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

5 DIRECT EXAMINATION

6 BY MS. AUBREY:

7 Q. Would you state your name and how you're
8 employed?

9 A. David Mussett. I'm a geologist, independent,
10 from Midland, Texas.

11 Q. And what's your relationship with Drum Energy
12 Corporation?

13 A. I manage Drum Energy Corporation. It is a
14 corporation that I set up as an operating company so
15 that I could operate oil and gas wells.

16 Q. Mr. Mussett, have you testified previously
17 before the New Mexico Oil Conservation Division?

18 A. I have not.

19 Q. Would you review your professional degrees
20 and training and your work experience for the Examiner?

21 A. I received a bachelor's degree in geology
22 from the University of Texas at the Permian Basin in
23 1986, and 1984 is when I first started working in the
24 petroleum industry, being trained as a -- basically a
25 development geologist.

1 And from that time I was trained and did
2 develop drilling prospects in the Permian Basin and
3 have continued to do so, as well as do consulting work
4 for the industry since that time.

5 MS. AUBREY: Mr. Stogner, I offer Mr. Mussett
6 as an expert in petroleum geology.

7 EXAMINER STOGNER: Mr. Mussett is so
8 qualified.

9 Q. (By Ms. Aubrey) Mr. Mussett, before we go
10 into your exhibits, you have recently discovered that
11 the location which you have proposed for this well is
12 not a standard location as advertised but would be an
13 unorthodox location; is that correct?

14 A. That's correct.

15 Q. And is it Drum's request today to proceed
16 with this case as to the issues of compulsory pooling
17 and then to file an application for approval of the
18 unorthodox location?

19 A. That's correct.

20 Q. While we're on that subject today, though,
21 Mr. Mussett, can you tell the Examiner whether or not
22 there are surface obstructions or other topographical
23 conditions which would prevent you from drilling your
24 well at a standard location in the southeast quarter of
25 the southwest quarter of 35?

1 A. Yes, and on that subject, Mr. Stogner's last
2 question to Joe Alexander had to do with the lines on
3 the map. Those are designating some surface divisions.
4 And, in fact, this quarter section has been subdivided
5 into numerous small tracts, and there are some --
6 There's a church out there and some trailer houses and
7 barns and homes.

8 And the reason for the nonstandard location
9 is because at a standard location would be too close to
10 dwellings, and I've tried to get a reasonable and safe
11 distance from those dwellings.

12 Q. Referring again to the southeast quarter of
13 the southwest quarter, can you tell the Examiner who
14 operates the offsetting well in the southeast quarter
15 of Section 35?

16 A. The well in the southwest of the southeast is
17 a well operated by Drum Energy.

18 Q. Do you have any requirements in the lease on
19 your well in the southwest of the southeast requiring
20 you to protect that well from drainage?

21 A. There are terms in some of my leases that say
22 that I'm required to protect -- I'm the lessee, I'm
23 required to protect their lease from drainage by offset
24 wells.

25 Q. Let me have you look now at your Exhibit

1 Number 5, which is a structure map on the top of the
2 Blinebry.

3 Can you review that exhibit for the Examiner
4 and also discuss for the Examiner your request to have
5 either a 40-acre proration unit or a 160-acre proration
6 unit assigned to this well?

7 A. Yes, Exhibit 5 is a structure map drawn on
8 top of the Blinebry formation. It also shows Blinebry
9 production in the general area, as well as the tests
10 that have been made on the Blinebry formation in the
11 area.

12 The Werta Federal Number 1, which offsets the
13 proposed location, was a well that was an existing well
14 when Drum Energy bought it, and Drum Energy recompleted
15 that well in the Blinebry. It previously produced from
16 deeper formations.

17 It would not, given its production history,
18 it would not be the kind of production you would want
19 to spend the money to drill a new well for.

20 It is the hopes of Drum Energy that by moving
21 upstructure, up -- that we possibly make less water
22 than the Werta Federal Number 1. The Werta Federal
23 Number 1 makes about 40 percent water.

24 What we need to do to have the well work and
25 be an economic success is that our new location will

1 actually be updip from the Werta Federal Number 1.
2 Number two, that it will develop a better reservoir
3 rock there.

4 If you will refer to Exhibit 6, which is a
5 log, porosity log on the left and resistivity log on
6 the right of the producing stringers, if you will, in
7 the Werta Federal well, average porosity in those
8 stringers is about seven percent, and that's in a
9 Dolomite, and that's getting down close to the
10 productive limit for commercial production.

11 So we do need to encounter better reservoir
12 rock to have an economic success, and we're hoping that
13 by moving updip we can -- that development will happen.

14 Also, we're hoping that by moving updip we
15 can have less water production, possibly the conversion
16 of what water we make to hydrocarbon production.

17 And if those things would hold true, then the
18 well will be an economic success.

19 Q. Are there any other wells within the area
20 producing from the Blinebry?

21 A. Only the Werta Federal well. The nearest
22 other test would be a dryhole drilled in 1951 by
23 Stanolind Oil and Gas, direct south offset to our
24 proposed location.

25 They did run a drill stem test, which did not

1 include all of the productive stringers in the Werta
2 Federal Number 1 well but did include the first
3 stringer. They had a recovery of some gas, but not
4 enough to -- and they recovered some oil and gas-cut
5 mud, but the test was not sufficient for them to
6 complete this well.

7 There are non-productive tests to the
8 northwest of our proposed location and a marginal
9 producer back to the east southeast of our proposed
10 location.

11 Q. You've highlighted those on Exhibit Number 5;
12 is that right?

13 A. Yes, I've tried to highlight all of the
14 production or tests in the area.

15 There's a West Nadine Blinebry field, which
16 we would hope to emulate over here at our prospect, but
17 obviously on a smaller scale, our -- anticipating a
18 smaller feature there as far as our structure goes.

19 Q. What risk penalty factor is Drum Energy
20 Corporation asking be imposed against the nonconsenting
21 working interests in this case?

22 A. We are asking cost plus 200 percent risk
23 penalty.

24 Q. And what do you base that request upon, Mr.
25 Mussett?

1 A. I base it on the fact that it's a -- the risk
2 is there, number one, that the structure does not
3 develop the way we've depicted it. Number two, that by
4 moving updip it in fact does not help us develop a
5 better reservoir rock or in fact does not move us out
6 of a water zone. And that's the risk.

7 Q. And as shown by your Exhibit Number 5, you
8 have no well control to the north or to the west or --
9 and no producing wells to the south of your proposed
10 location; is that correct?

11 A. Well, all of our control besides the dryhole
12 and the Werta Federal are at least a mile away and, in
13 all cases, over a mile from our proposed location.

14 Q. Let me have you look at Exhibit Number 7. Is
15 this the AFE that you prepared for this -- the well
16 that we're discussing today?

17 A. Yes, it is.

18 Q. Okay. Was this AFE sent to all working
19 interest owners in the proposed proration units?

20 A. Yes, it was.

21 Q. In your opinion as an expert geologist, is
22 this a fair and reasonable AFE for a well of this
23 depth?

24 A. Yes, it is.

25 Q. Mr. Mussett, what overhead costs are you

1 requesting reimbursement for while drilling and
2 producing?

3 A. I'm requesting for those costs which are
4 represented on Exhibit A, being average costs as found
5 by *Ernst and Young* on fixed-rate surveys for west Texas
6 and eastern New Mexico for a well of the depth we're
7 proposing, which is 6200 feet. Rounded, I would ask
8 \$4300 drilling rate and \$550 producing well rate.

9 Q. Do you believe that that is a fair and
10 reasonable cost, based on other -- what other operators
11 are charging in the area?

12 A. I do.

13 Q. In your opinion, Mr. Mussett, will granting
14 Drum Energy Corporation's Application prevent waste,
15 promote conservation of hydrocarbons and protect
16 correlative rights?

17 A. I do.

18 Q. Were Exhibits 5 through 8 prepared by you or
19 under your supervision and direction?

20 A. Yes, they were.

21 MS. AUBREY: Mr. Stogner, I offer Exhibits 5
22 through 8.

23 And I have no more questions at this time.

24 EXAMINER STOGNER: Exhibits 5 through 8 will
25 be admitted into evidence at this time.

EXAMINATION

1
2 BY EXAMINER STOGNER:

3 Q. The Werta Federal Number 1, the offsetting
4 well back to the east, is that a Blinebry oil producer
5 at this point?

6 A. Yes, sir.

7 Q. Do you know what pool that was in?

8 A. House Blinebry.

9 Q. The House Blinebry Pool. Are there any
10 higher or shallower zones of interest that have
11 potential out here?

12 A. I believe there are. When we drill the well
13 we will have a mud-logger log the well, because I do
14 believe there's potential, hopefully, in the Yates,
15 maybe less of a chance in the San Andres.

16 I would say those two formations would be our
17 best chance to have a bailout zone, as it were.

18 Q. Now, in looking at your -- Well, Exhibit
19 Number 1 and then Exhibit Number 5, which are
20 essentially the same map, with -- depicting different
21 information, there really is no control back to the
22 west. I mean, does this accurately depict all the
23 wells that you know of that's been drilled in this
24 area?

25 A. Yes, sir. I looked for every bit of

1 information I could when I drew the map. It's critical
2 to my prospect.

3 EXAMINER STOGNER: I have no other questions
4 for Mr. Mussett at this time.

5 Any administrative Application coming up for
6 an unorthodox location I will take notice, or if you
7 will refer to this case that would sure be of some help
8 in your Application when you file for an exception,
9 104-F-1.

10 Other than that, I have nothing further in
11 Case 10,776.

12 Do you, Ms. Aubrey?

13 MS. AUBREY: Just some clarification
14 regarding Mr. Stovall's earlier request that we offer
15 earlier correspondence than June 11th as an exhibit.
16 Do you want copies of all correspondence with all
17 working-interest owners, Mr. Stovall?

18 MR. STOVALL: Are you saying -- In other
19 words, if you sent the same letter to everyone, do I
20 want every copy?

21 MS. AUBREY: (Nods)

22 MR. STOVALL: No, just a copy of the letter
23 and a reference to the fact that it goes to all
24 interest owners.

25 MS. AUBREY: May I offer --

1 MR. STOVALL: Excess paper in the file.

2 MS. AUBREY: Okay. May I offer that now,
3 then, as Exhibit 2A, and we will tender it before we
4 leave here today?

5 EXAMINER STOGNER: Okay. Do you have it now
6 or --

7 MS. AUBREY: Mr. Alexander has it in his --

8 EXAMINER STOGNER: Okay, before the day's
9 over. Okay?

10 MS. AUBREY: Right.

11 EXAMINER STOGNER: With that, if there's
12 nothing further this case, Number 10,776, I will take
13 it under advisement subsequent to --

14 MR. STOVALL: Let me -- Before you close the
15 case, let's just ask the question on the record.

16 Mr. Alexander, we'll recall you for the
17 moment but you can speak from there if you speak
18 loudly.

19 JOE ALEXANDER,
20 the witness herein, having been previously duly sworn
21 upon his oath, was examined and testified as follows:

22 FURTHER EXAMINATION

23 BY MR. STOVALL:

24 Q. Do you have with you the letters that Ms.
25 Aubrey is referring to that you're going to submit?

1 A. Yes, I do.

2 Q. Are those letters which you sent or caused to
3 be sent?

4 A. They're letters which I sent and replies too.

5 Q. Okay, and those letters -- Is it your
6 testimony those letters were in fact sent to all of the
7 working-interest owners named on your -- I think it's
8 Exhibit 2?

9 A. No, because there's specific letters to
10 specific working-interest owners.

11 Q. But I mean, other than -- Was the same letter
12 with different -- with specific information for the
13 specific working-interest owners sent to all of them?

14 A. Yes.

15 Q. So it was modified only to the extent that it
16 reflected their interest?

17 A. Yes.

18 Q. Okay, that satisfies that requirement.

19 A. Excuse me, I don't exactly understand what
20 you're trying to get to here.

21 I sent a letter to a person regarding their
22 interest: Do you want to lease to me?

23 And they replied to me.

24 Now, that didn't go to all the other working-
25 interest owners because I was maybe talking to them on

1 the phone or something. So these are specific letters
2 to specific people that I --

3 MR. STOVALL: Ms. Aubrey, that may change
4 that, then. We may need to get a copy of each of them
5 as a packet, as 2A.

6 MS. AUBREY: We'll submit copies of all
7 documentation.

8 Would you also like a copy of Mr. Alexander's
9 telephone log which he, I believe, has with him --

10 THE WITNESS: Yes, handwritten.

11 MS. AUBREY: -- documenting the telephone
12 contacts with all the working-interest owners in the
13 proration unit?

14 MR. STOVALL: I think it's an excellent idea.
15 I think it protects Drum and their -- should anybody
16 challenge the force-pooling, which is not unheard of
17 before the Division.

18 MS. AUBREY: We'll be happy to submit that,
19 Mr. Stovall.

20 EXAMINER STOGNER: With that, you probably
21 need a little more time, but upon submission of it --

22 MS. AUBREY: We may need some time to make
23 some photocopies, Mr. Stogner, but I'll try to get it
24 to you before the end of the day.

25 EXAMINER STOGNER: Okay. With that, we'll

1 continue on.

2 (Thereupon, a recess was taken at 10:55 a.m.)

3 (No further proceedings were had this date.)

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1 CERTIFICATE OF REPORTER

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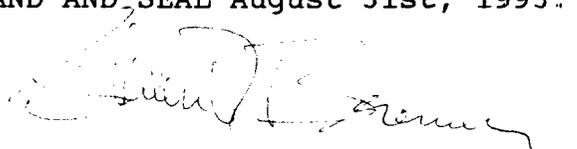
3 STATE OF NEW MEXICO)
) ss.
 4 COUNTY OF SANTA FE)

5

6 I, Steven T. Brenner, Certified Court
 7 Reporter and Notary Public, HEREBY CERTIFY that the
 8 foregoing transcript of proceedings before the Oil
 9 Conservation Division was reported by me; that I
 10 transcribed my notes; and that the foregoing is a true
 11 and accurate record of the proceedings.

12 I FURTHER CERTIFY that I am not a relative or
 13 employee of any of the parties or attorneys involved in
 14 this matter and that I have no personal interest in the
 15 final disposition of this matter.

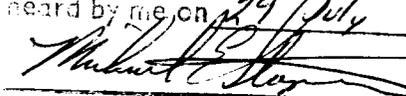
16 WITNESS MY HAND AND SEAL August 31st, 1993.

17 

18 STEVEN T. BRENNER
 19 CCR No. 7

20 My commission expires: October 14, 1994

21

22 I do hereby certify that the foregoing is
 23 a complete record of the proceedings in
 the Examiner hearing of Case No. 10776
 24 heard by me on 29 July 1993.

 25 Examiner
 Oil Conservation Division

<p>Amoco H.B.P. A-1573</p>	<p>Chevron H.B.P. B-243</p>	<p>Yates Pet. et al V-3942 10-71</p>	<p>Moranco Op. et al M-16-98 WI</p>	<p>Amoco 100 State 101</p>	<p>Amoco 103 McPherson Crump Crimme</p>	<p>Strato Ener. bel 4338 5-15-93</p>	<p>Strato Ener. 5-15-93</p>	<p>Fortson Oil 5-8-94</p>	<p>ARCO 3-17-97 1-19-97 1-14-95</p>	<p>ARCO 3-17-97 1-14-95</p>	<p>ARCO 12-19-95 12-22-95 1-20-95</p>	<p>Granville C Nash, et al Arnold Bank</p>
<p>Amoco H.B.P. A-1573</p>	<p>Chevron H.B.P. B-243</p>	<p>Yates Pet. et al V-3942 10-71</p>	<p>Moranco Op. et al M-16-98 WI</p>	<p>Amoco 100 State 101</p>	<p>Amoco 103 McPherson Crump Crimme</p>	<p>Strato Ener. bel 4338 5-15-93</p>	<p>Strato Ener. 5-15-93</p>	<p>Fortson Oil 5-8-94</p>	<p>ARCO 3-17-97 1-19-97 1-14-95</p>	<p>ARCO 3-17-97 1-14-95</p>	<p>ARCO 12-19-95 12-22-95 1-20-95</p>	<p>Granville C Nash, et al Arnold Bank</p>

Drum Energy Corporation
Case No. 10776
Before Examiner Stogner
Exhibit No. 19

U.S., MI
19
Min. divid

Bi-State Loans
11-5-91

WORKING INTEREST OWNERSHIP

SW/4 Section 35, Township 19 South, Range 38 East, N.M.P.M., Lea County, New Mexico; containing 160 acres, more or less.

<u>OWNER</u>	<u>% W.I</u>	<u>NET ACRES</u>
Drum Energy	69.84375	111.75
*Thelma P. Johnson, Guardian of the Estate of Minnie B. Gray	3.125	5.0
*John P. Cox	1.5625	2.5
*W. Rey Williams	.625	1.0
*Sun Operating Ltd. Partnership	12.5	20.0
*Charles H. Coll	1.5625	2.5
*James N. Coll and Florence M. Coll	1.5625	2.5
*Jon F. Coll and Mary R. Coll	1.5625	2.5
*Max W. Coll , II and Martha M. Coll	1.5625	2.5
*Eileen H. Globensky, Trustee of the Eileen H. Globensky Children's Trust c/o Liberty Bank & Trust Co. of Tulsa	.78125	1.25
*Mary Anne Heinze Romano Trustee of the Sergio Romano Romano Children's Trust c/o Liberty Bank & Trust Co. of Tulsa	.78125	1.25
*Ronald W. Waschka and Patricia Co-Trustees of the Patricia H. Waschka Trust c/o Liberty Bank & Trust Co. of Tulsa	1.041666	1.66
*Eileen H. Romano and Giangiorgio Romano Trustees of the Eileen H. Romano Trust, U/T/A dated January 28, 1970 c/o Liberty Bank & Trust Co.	1.041667	1.67

Drum Energy Corporation
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Exhibit No. 2

of Tulsa

*John Victor Hanney and Liberty Bank and Trust Co. of Tulsa, Trustees of the Colette H. Johnstone Trust No. 1, U/T/A dated February 25, 1966	1.041667	1.67
*John V. Hanney and Liberty Bank & Trust Co. of Tulsa Trustees of the John V. Hanney Trust No. 1, U/T/A dated November 24, 1970	.78125	1.25
*Charles Lee and Emma Lee	<u>.625</u>	<u>1.0</u>
TOTAL	1.00	160.00

*Have not consented to drilling of a well on this tract
Total W.I. non-consenting - 30.15625% (48.25 Net Acres)