

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE , NEW MEXICO

Hearing Date _____ DECEMBER 13, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
<i>H. A. Spencer</i> <i>Vol. Carter</i>	<i>Timber Services, Inc.</i> <i>Proden Law Firm</i>	<i>Midland, Tx.</i> <i>Santa Fe</i>
<i>W. Perry Pearce</i> <i>James Bruce</i> <i>James H. Hager</i>	<i>Montgomery & Andrews P.A.</i> <i>Hinkle Law Firm</i> <i>Denny & Hooper</i>	<i>Santa Fe</i> <i>Albuquerque</i> <i>Rosewell, N.M.</i>
<i>Bob Hulse</i>	<i>Byrum</i>	<i>Santa Fe</i>
<i>William F. Davis</i>	<i>Langhill & Black, P.A.</i>	<i>Santa Fe</i>
<i>James M. Smith</i>	<i>Samuelson Block</i>	<i>Santa Fe</i>
<i>Robert J. White</i>	<i>Trachsel/Walker</i>	<i>Hobbs & White</i>
<i>Robert Hart</i>	<i>Teraco</i>	<i>Hobbs, NM</i>
<i>Russell S. Bell</i>	<i>Teraco</i>	<i>Hobbs, N.M.</i>
<i>H. T. Kubus</i>	<i>Midcontinent Oil & Gas Trust</i>	<i>Dallas, TX</i>
<i>Victor T. Lynn</i>	<i>W. C. Walker & Son</i>	<i>Santa Fe</i>
<i>Q. Callahan</i>	<i>Kellam Kellam & Arkley</i>	<i>Santa Fe</i> <i>Santa Fe</i>
<i>David J. ...</i>	<i>Energy</i>	<i>Midland.</i>

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date DECEMBER 13, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Sealy D. Cavin	Modrell Law Firm	Alb
George L. Scott Jr.	Strata Production Co	Roswell
Ted Gaulak	Mitchell Energy Corp	Midland
San Hernandez	Sanchez Energy Corp	Midland
Tommy Roberts	Jansey Law Firm	Farmington
T. Greg Morrison	MERRION OIL & GAS	Farmington
Dan Degey	" "	" "
RV	NORTHWEST PIPE LINE	FARMINGTON
Ray Graham		Santa Fe
James Broom	T. H. McElwain	Santa Fe
Patrick Tower	Santa Fe Energy	Midland
Carl Redden	Mitchell Energy	Woodlands TX

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Robert J. Case 9839
Mannes Oil & Gas Exploration
for a unit agreement, Chaves
County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

December 13, 1989

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL

Attorney at Law

Legal Counsel to the Divison

State Land Office Building

Santa Fe, New Mexico

FOR THE APPLICANT:

MONTGOMERY & ANDREWS, P.A.

Attorneys at Law

P.O. Box 2307

Santa Fe, New Mexico 87504-2307

BY: W. PERRY PEARCE, ESQ.

1	I N D E X		
2		Page Number	
3	Appearances		2
4	A. T. KUHNS		
5	Direct Examination by Mr. Pearce		4
6	Cross-Examination by Hearing Examiner		13
7	ROBERT MANNES		
8	Direct Examination by Mr. Pearce		15
9	Cross-Examination by Hearing Examiner		23
10	Certificate of Reporter		26
11	E X H I B I T S		
12	Exhibit No. 1		6
13	Exhibit No. 2		9
14	Exhibit No. 3		6
15	Exhibit No. 4		12
16	Exhibit No. 5		16
17	Exhibit No. 6		17
18	Exhibit No. 7		19
19	Exhibit No. 8		20
20	Exhibit No. 9		20
21			
22			
23			
24			
25			

1 HEARING EXAMINER: At this time we'll call
2 Case 9839.

3 MR. STOVALL: Application of Robert J.
4 Mannes Oil & Gas Exploration for a unit agreement,
5 Chaves County, New Mexico.

6 HEARING EXAMINER: Are there appearances in
7 this case?

8 MR. PEARCE: May it please the Examiner, I
9 am W. Perry Pearce, from the law firm of Montgomery &
10 Andrews, P.A., appearing in this matter on behalf of
11 Robert J. Mannes, and I have two witnesses who need to
12 be sworn.

13 HEARING EXAMINER: Are there any other
14 appearances in this case?

15 Will the witnesses please stand and be
16 sworn in?

17 (Witnesses sworn.)

18 A.T. KUHNS,
19 the witness herein, after having been first duly sworn
20 upon his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. PEARCE:

23 Q. Thank you, sir. For the record, would you
24 please state your name and place of residence.

25 A. My name is A.T. Kuhns, and I reside in

1 Dallas, Texas.

2 Q. Mr. Kuhns, what is your occupation?

3 A. I'm a petroleum geologist.

4 Q. Mr. Kuhns, have you appeared before the New
5 Mexico Oil Conservation Division or one of its
6 examiners previously and had your credentials as a
7 petroleum geologist made a matter of record?

8 A. I have not, sir.

9 Q. Could you briefly summarize for the
10 Examiner and those in attendance, please, your
11 educational background and work experience.

12 A. Yes, sir. I graduated from the University
13 of Texas in 1980. Worked for various majors during
14 that period. Currently own a consulting firm that is
15 a primary advising team for the McNaughton Trust out
16 of the McN Bank in Dallas, Texas.

17 Q. Mr. Kuhns, are you familiar with the
18 application being considered today that has been filed
19 on behalf of Robert J. Mannes?

20 A. I am, sir.

21 MR. PEARCE: Mr. Examiner, at this time I
22 would ask that Mr. Kuhns be qualified as an expert in
23 the field of petroleum geology.

24 HEARING EXAMINER: He is so qualified.

25 Q. (BY MR. PEARCE) Mr. Kuhns, at this time I

1 would like to direct your attention to what we have
2 marked as Mannes Exhibit 1 to this proceeding.

3 Could you open that up, please, and
4 describe the information depicted on that exhibit.

5 A. Yes, sir. This is a copy of a working
6 cross-section that we have prepared for the McNaughton
7 people concerning this project in New Mexico that the
8 unit has filed upon. It shows the key wells in the
9 area that we've used to interpret the subsurface.

10 Q. At this time let's jump over Exhibit No. 2,
11 and I want to refer you to Exhibit No. 3. Would you
12 please tell us what's reflected on that exhibit.

13 A. Yes, sir. This is a time and depth
14 conversion map using the complements of seismic that
15 we've shown on this project, along with some
16 speculative data that we required, and using
17 synthetics modeling with the wells in the various
18 areas, we've constructed this map.

19 Q. I notice on the left-hand side of that
20 exhibit, there is a line marked B-B'. Is that the
21 line of cross-section reflected on Exhibit 1?

22 A. Yes, it is.

23 Q. Would you please describe for the record
24 the wells reflected on your cross-section and the
25 section number in which each of those wells is

1 located, beginning with B.

2 A. Briefly, on the cross-section what we have
3 done is prepared a transverse stratigraphic section to
4 the proposed channel development that we've targeted.
5 The first well that you see is the Marathon 1 State
6 Well in Section 28 of the southwest quarter. Marathon
7 well is produced from a spurious sand development that
8 we do not feel is connected to the prospect area. Up
9 to the north -- I'm sorry?

10 Q. For clarification, I notice that on Exhibit
11 Number 1, that well is depicted as the Marathon Oil
12 Company 1 State 27. That well is located at 27?

13 A. That is correct.

14 Q. I notice that there is some yellow shading
15 of that log on Exhibit No. 1. Could you describe the
16 shading and what each color means, please.

17 A. The blue shading is depicting carbonates.
18 The yellow shading is depicting sand development. The
19 lower sections that we have depicted show the
20 Mississippian lime. The Siluro is depicted in purple,
21 and the Basin is depicted in orange.

22 Q. And that same color scheme is carried out
23 throughout the cross-section; is that correct?

24 A. Through the cross-section, yes, sir.

25 Q. I cut you off. Let's proceed to the second

1 well on the cross-section. Describe that well for
2 us, please.

3 A. The second well is the Charles P. Miller
4 well. It's drilled in Section 21, I believe. This
5 well is the key well as far as showing that this
6 particular zone that we have picked has potential for
7 production in the area. The sand that we are
8 targeting is the first sand encountered in this well.
9 It tested 3.75 million a day out of the zone. Due to
10 the fact that it was drilled in the early 50's, the
11 well was classified uncommercial and plugged and
12 abandoned.

13 Q. All right, sir. Let's move to the third
14 well on the cross-section, please.

15 A. The third well is the Leonard Oil Company
16 Federal-White drilled in Section 9. This well, again
17 showing the primary objective sand increasing in
18 thickness. This well was cored in the objective sand,
19 had shows of gas. They did run a drill stem test in
20 it. It had a noncommercial flow. Recovered a slight
21 mud cap section of under 120 feet.

22 One thing that I do want to point out when
23 we're looking at these two wells in particular, being
24 the Miller well and the Leonard well, structurally,
25 which is not depicted on this section, the Miller well

1 is approximately 50 foot higher on the carbonate
2 marker below the sand section as opposed to the
3 Leonard well.

4 Q. All right, sir. We'll come back to that in
5 a moment. Let's look at the fourth well on the
6 cross-section, please.

7 A. The fourth well is the northernmost well,
8 sunray DX well. It was drilled in 73. What this well
9 is showing as far as our primary objective is
10 concerned is that the sand development that we have
11 targeted has pinched out to the limestone facings;
12 thereby the reservoir not being in that area.

13 Q. You mentioned when we discussed Exhibit 3
14 that you have reviewed certain seismic material, and
15 you have constructed a cross-section which you have
16 discussed with the Examiner. I would ask you now to
17 turn your attention to what we have marked as Exhibit
18 2 to this proceeding.

19 A. Um-hm.

20 Q. Would you please describe that exhibit and
21 the information reflected on it.

22 A. What you are looking at here is a portion
23 of our prospect sand development map concerning this
24 particular unit that was filed. What you have before
25 you is an isopach map of the channel we discussed on

1 the cross-section.

2 The color coding that you see is, in green,
3 we're identifying a right lateral slip fall that was
4 first identified by our most sensing interpretation
5 and later confirmed with seismic. We're dealing with
6 a right lateral rent system.

7 Q. You're dealing with a right level --

8 A. Right lateral rent system. The fault that
9 you see splaying off the main trend turning to the
10 south and west is a first order rent impressional
11 fault that has helped us identify the structure
12 enhancement that we're looking for.

13 The color coding, basically the area of the
14 channel that is colored in yellow is what we consider
15 the area prospected to be the main channel, the
16 channel that has the greatest thickness of porosity or
17 porous sand.

18 Based on some of the modeling that we've
19 done to the south of this area, we feel that we've
20 been a little generous in the width of this particular
21 isopach and, thereby, channeling the main channel area
22 as being the most prospective.

23 The overall size of the Lower Penn Sands
24 that we have modeled this after usually are no more
25 than a mile-and-a-half in width. So our target area

1 is confined to the yellow.

2 Q. All right, sir. Any other information that
3 you'd like to highlight for the examiner on that
4 exhibit?

5 A. The only other piece of information that
6 concerns the unit is the economic limit of reservoir
7 that we show in red. What we have done to confine our
8 target area is to use three critical wells to the
9 south and west of the prospect area. Number one, the
10 Shenandoah well, which is in 4 South 26, Section 13.
11 This well tested at eight foot of porous sand, porous
12 being in the 10 percent range. Had a noncommercial
13 test in the zone that we're targeting.

14 The Miller well, as we discussed before, is
15 the one well at this point that we have that shows
16 some commerciality in the zone.

17 The Leonard well we have used to define the
18 limits of the reservoir to the south and west. Even
19 though there was a porous section built up in this
20 particular well, the DST was not economical.

21 The northern limit of the reservoir is
22 designed from the Shenandoah well, which did flow gas
23 at an uncommercial rate, but they did recover a
24 flowing test out of the eight foot of sand.

25 The southern limit of the reservoir is

1 defined by a structural interpretation of the
2 synthetics tied to the seismic, trying to depict a
3 structural enhancement of this aspect relative to the
4 Miller well, which is the only test that has been
5 commercial in the area.

6 Q. I would ask you now if you would, please,
7 to review what we have marked as Exhibit No. 4 to this
8 proceeding. Briefly describe that exhibit for us,
9 please.

10 A. This is a geologic brief prepared for the
11 Sandoval unit filing that I prepared last week in
12 preparation for this hearing.

13 Q. It contains the same information you've
14 been discussing with us?

15 A. Yes.

16 Q. Based upon your examination of the geology
17 of the area, based upon your review of seismic data
18 and logs of wells in this area, do you believe that
19 the formation of an oil and gas unit roughly
20 conforming to the structure outlined on Exhibit No. 3
21 is in the best interest of the prevention of waste and
22 the protection of the correlative rights of interest
23 owners in that area?

24 A. Yes, sir, I do.

25 Q. Do you have anything further at this time?

1 A. No, sir.

2 MR. PEARCE: Mr. Examiner, I have nothing
3 further of this witness at this time.

4 I would move the admission of Mannes
5 Exhibits 1 through 4 to this proceeding, and the
6 witness is available for other questions.

7 HEARING EXAMINER: Exhibits 1 through 4
8 will be admitted as evidence.

9 CROSS-EXAMINATION

10 BY HEARING EXAMINER:

11 Q. Mr. Kuhns, is it correct that your unit
12 boundaries more or less conform to the line that you
13 have depicted in red on Exhibit No. 2?

14 A. Yes, sir.

15 Q. And the Pennsylvanian is the primary
16 objective?

17 A. That is correct. This is a classic
18 development in the Lower Penn.

19 Q. The Mississippian potential?

20 A. There is some porosity in the Leonard well
21 that was reentered by McClellan in 1983, and the well
22 tested at 100 Mcf per day, which is a target that
23 we're not particularly interested in.

24 In our research of the New Mexico area
25 overall, the Mississippian has not been an attractive

1 target as far as we are concerned but is an indicator
2 that there is structure close by, due to the porosity
3 development in the Leonard well.

4 Q. Besides the Pennsylvanian are there any
5 other secondary objectives of higher or --

6 A. Because of the closure that we have defined
7 in the seismic, yes. There was so little well control
8 in here, we don't exactly know what is going to be
9 prospected. That is why we've targeted the main sand
10 that we have control over at this point, based on the
11 correlation of the new field to the north and east of
12 us.

13 Q. Does the unit contain all the formations
14 from the surface down to the Pennsylvanian? Does it
15 encompass all those formations?

16 A. Because of the structural enhancement area
17 that we're looking for in the isopach development,
18 hopefully there will be some potential for recovering
19 secondary zones.

20 HEARING EXAMINER: That's all I have of the
21 witness. You may be excused.

22 ROBERT MANNES,
23 the witness herein, after having been previously duly
24 sworn upon his oath, was examined and testified as
25 follows:

DIRECT EXAMINATION

BY MR. PEARCE:

Q. All Right, sir. For the record would you please state your name and place of residence?

A. My name is Robert Mannes, and I live in Holland, Michigan.

Q. Mr. Mannes, are you an oil and gas operator?

A. Yes.

Q. And are you the applicant in this case?

A. I am.

Q. Have you appeared before the Division or one of its examiners previously and had your credentials as an oil and gas operator made a matter of record?

A. I have not.

Q. Would you briefly describe your oil and gas experience for us?

A. I have been in the oil and gas business over 25 years and have worked in all phases of acquisition of land, operating of oil and gas wells, and drilling of same.

Q. And you have been involved in that same way in the formation of the proposed Sand Draw unit; is that correct?

1 A. That's correct.

2 MR. PEARCE: Mr. Examiner, at this time I
3 would like to have Mr. Mannes recognized as an
4 experienced oil and gas operator, and I would like the
5 record to reflect that the application in this case
6 and the advertisement of this case has the name of
7 this unit as the White Draw Unit.

8 Subsequent to the filing of that
9 application and publishing notice of that application,
10 it was discovered that there was a previously existing
11 White Draw Unit. And in consultation with the
12 Division, the name of the proposed unit has been
13 changed to the Sand Draw unit.

14 HEARING EXAMINER: Okay, Mr. Pearce. Mr.
15 Mannes is so qualified, and the record will reflect
16 that name change.

17 MR. PEARCE: Thank you, Mr. Examiner.

18 Q. Mr. Mannes, at this time I'd like for you
19 to refer to what we have marked as Mannes Exhibit No.
20 5 to this proceeding. And I note that there is an
21 alternately short and long dashed line around certain
22 sections reflected on that exhibit. Is that the Sand
23 Draw Unit outline as proposed?

24 A. That's the Sand Draw Unit outline as
25 proposed yes, sir.

1 Q. I notice that some of the acreage within
2 that proposed unit boundary is hachured, and it
3 appears that the legend at the bottom indicates that
4 that is federal land; is that correct?

5 A. That is correct.

6 Q. And the unhachured acreage is the state
7 land?

8 A. That is correct.

9 Q. Is there any fee acreage within this
10 proposed unit area?

11 A. There is no fee acreage within this unit
12 area.

13 Q. Let's look now, please, at what we have
14 marked Exhibit No. 6, and if you will keep Exhibit No.
15 5 in front of you, what is Exhibit No. 6?

16 A. Exhibit No. 6 is the exhibit of oil and gas
17 leases by tract number which correspond to the numbers
18 that are shown within the proposed unit outline on
19 Exhibit No. 5.

20 Q. I notice that looking across this exhibit,
21 and once again these are all state and federal leases,
22 that there are a number of different lessees of record
23 reflected. What is the current status of the working
24 interest of all of the lands within the proposed unit
25 boundary?

1 A. All of the lands within the proposed unit
2 boundary are proposed by us 100 percent to the working
3 interest, with the exception of one 40-acre tract
4 described as the northwest quarter of the northwest
5 quarter of Section 3.

6 Q. And that is also sometimes denoted as lot
7 No. 4 of Section 3; is that correct?

8 A. That is correct.

9 Q. And that tract No. 18 was recently included
10 within the proposed unit boundary at the request of
11 the regulatory and lessors; is that correct?

12 A. That is correct.

13 Q. During the course of your preparation for
14 requesting formation of this unit, have you
15 corresponded with the working interest owner of
16 Section 18 and informed that working interest owner of
17 your intention to form this unit?

18 A. I have.

19 Q. Is it correct that that interest owner has
20 not yet indicated to you whether or not they will
21 commit their acreage?

22 A. That is true.

23 Q. And I notice, simply to highlight for the
24 record, lot No. 4 in Section No. 3, which denoted
25 tract 18, is a 38.65-acre tract; is that correct?

1 A. That is correct.

2 Q. And what is the total acreage within the
3 unit as proposed?

4 A. 6,702.11.

5 HEARING EXAMINER: I'm sorry. Could you
6 say that again, please?

7 THE WITNESS: 6,702.11.

8 HEARING EXAMINER: Thank you.

9 Q. (BY MR. PEARCE) All right, Mr. Mannes,
10 let's put those aside for a moment, if you would,
11 please. I would direct your attention to what we have
12 marked as Exhibit No. 7 to this proceeding, and I
13 would ask you if that is the proposed unit agreement
14 for the Sand Draw Unit in Chaves County, New Mexico?

15 A. It is.

16 Q. Attached to that exhibit are the same
17 Exhibit A and Exhibit B that we discussed as Exhibits
18 5 and 6 to this proceeding; is that correct?

19 A. That is correct.

20 Q. And have you submitted copies of this
21 proposed unit agreement to the Commissioner of Public
22 Lands at the State of New Mexico and to the Bureau of
23 Land Management?

24 A. We have.

25 Q. And although you have not received written

1 notification, have you been informed that they will
2 give preliminary approval to this unit as expanded to
3 include tract No. 18?

4 A. Yes.

5 Q. If you would now, please, refer to what we
6 have marked as Exhibit No. 8 to this proceeding, and I
7 would ask you if that is a proposed unit operating
8 agreement covering the operations of the Sand Draw
9 Unit?

10 A. It is.

11 Q. And as it currently stands, you control all
12 of the working interest except for tract No. 18, and
13 as to the relations between tract 18 and the remainder
14 of the unit, this proposed unit operating agreement
15 will govern operations; is that correct?

16 A. That is correct.

17 Q. Let's look now, if you would, please, at
18 the exhibit marked No. 9 to this proceeding. And I
19 notice that the first page of this exhibit is a letter
20 apparently from you; is that correct?

21 A. That is correct.

22 Q. And this is the notice letter which was
23 sent to royalty and overriding royalty interest owners
24 in the proposed unit area; is that correct?

25 A. That is correct.

1 Q. The subsequent pages, what's reflected on
2 the second and subsequent pages of this exhibit?

3 A. The certified mail, green copies of the --
4 the green, little cards.

5 Q. The return receipts?

6 A. Yes.

7 Q. And since mailing this notice to these
8 interest owners on November 20 of 1989, have you
9 received any objection to the formation of this unit
10 from any of those parties?

11 A. We have received no objection.

12 Q. Do you have anything further to highlight
13 for the Examiner at this time, Mr. Mannes?

14 A. I do not.

15 MR. PEARCE: Mr. Examiner, I have nothing
16 further of the witness at this time.

17 I would move the admission of Mannes
18 Exhibits 5 through 9 to this proceeding, and he is
19 available for other questions.

20 HEARING EXAMINER: Exhibits 5 through 9
21 will be admitted as evidence.

22 MR. STOVALL: Mr. Pearce, we are looking at
23 the advertisement for this case, and it advertises a
24 unit area of approximately 6680 acres.

25 MR. PEARCE: Yes, sir.

1 MR. STOVALL: As I understand the
2 testimony, due to requests from the State Land Office,
3 additional acreage is included, making the total
4 acreage in the unit approximately 6702 acres.

5 MR. PEARCE: That's correct.

6 MR. STOVALL: It is my initial opinion that
7 that would not necessarily require readvertisement
8 because I'm not sure that there's any additional
9 information which would put any parties on notice that
10 would not already be on notice. Do you have an
11 opinion on that?

12 MR. PEARCE: If I may address that, Mr.
13 Stovall, I think that's correct, particularly in view
14 of the fact that tract No. 18 is a federal tract; so
15 that the owner of the mineral interest underlying that
16 acreage has, in fact, received written notice of this
17 application, has been dealing with the applicant, and,
18 as the witness testified, the lessee of that acreage
19 has also been in correspondence with the applicant and
20 was aware of the request.

21 I do not believe that additional notice or
22 additional information with regard to this matter
23 would provide any substantial benefit to any of the
24 parties, since, in fact, I believe they are fully
25 aware of what's proposed.

1 MR. STOVALL: Thank you, sir.

2 CROSS-EXAMINATION

3 BY HEARING EXAMINER:

4 Q. Just a couple of questions for Mr. Mannes.
5 Does your unit agreement cover all
6 formations?

7 A. It does.

8 Q. And you said, sir, that you had obtained
9 preliminary approval from the BLM and State Land
10 Office?

11 A. Yes.

12 Q. But you don't have those letters in
13 evidence today?

14 A. They haven't been written.

15 MR. PEARCE: We received that yesterday by
16 phone, Mr. Examiner.

17 HEARING EXAMINER: Can I get a copy of
18 those whenever you get those?

19 MR. PEARCE: We certainly will provide
20 them, Mr. Examiner.

21 HEARING EXAMINER: I have no further
22 questions of this witness.

23 Anything else of this witness? If not, he
24 may be excused.

25 MR. PEARCE: If I may interject one more

1 item, Mr. Examiner, because of the timing of this
2 proposal and the timing of lease exploration in this
3 area, it is necessary for us to request expedited
4 consideration of this matter. We have a number of
5 leases which are critical to the operations. The end
6 formation of this unit will expire at the end of the
7 year. We, in fact, have rigs under contract. Mr.
8 Mannes is ready to proceed with drilling operations if
9 we can get this unit approved in time. And we,
10 therefore, request that attention be paid to this
11 matter quickly.

12 HEARING EXAMINER: We'll do our best, Mr.
13 Pearce.

14 MR. PEARCE: Thank you.

15 MR. STOVALL: Mr. Pearce, when you say the
16 end of the year, you're talking a December 31 lease
17 exploration?

18 MR. PEARCE: That's correct.

19 MR. STOVALL: And those leases will not be
20 held by the drilling if operations commence; is that
21 correct?

22 MR. PEARCE: That's --

23 MR. STOVALL: Not all of them, I would
24 assume? In other words, you're not drilling on the
25 leases that are expiring; is that correct?

1 MR. PEARCE: There are, as you can tell by
2 the tract numbers, Mr. Stovall, a number of different
3 state and federal tracts, and in order to hold all of
4 that acreage, it would be necessary to drill, I
5 believe, 18 separate wells and get them all started.
6 That's not a likely prospect.

7 Nothing further, Mr. Examiner.

8 HEARING EXAMINER: Thank you, Mr. Pearce.

9 Case 9839 will therefore be taken under
10 advisement.

11 MR. PEARCE: Thank you.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

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

I, Freda Simmons, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL February 18, 1989.

Freda Simmons
 FREDA SIMMONS

I do hereby certify that the foregoing is a correct and true transcript of the proceedings heard by me on December 11, 1988 at 7:35 PM.
David R. Catamb
 Oil Conservation Division