

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISON
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

29 July 1987

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Cor- CASE
poration for compulsory pooling and 9181
an unorthodox oil well location,
Lea County, New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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MR. CATANACH: Call next Case
Number 9181.

MR. TAYLOR: Application of
Yates Petroleum Corporation for compulsory pooling and an
unorthodox oil well location, Lea County, New Mexico.

MR. CATANACH: Are there
appearances in this case?

MR. VANDIVER: Mr. Examiner, my
name is David Vandiver of Dickerson, Fisk, & Vandiver,
appearing on behalf of the applicant, Yates Petroleum
Corporation.

MR. CATANACH: Are there other
appearances in this case?

MR. BRUCE: Mr. Examiner, my
name is Jim Bruce from the Hinkle Law Firm in Santa Fe,
representing the Nitram Enterprises, Inc..

MR. CATANACH: How do you spell
that, Mr. Bruce?

MR. BRUCE: N-I-T-R-A-M.

MR. TAYLOR: Do you gentlemen
have witnesses to be sworn?

MR. VANDIVER: Two witnesses to
be sworn, Mr. Examiner, on behalf of Yates Petroleum.

MR. CATANACH: Will the wit-

1 nesses please stand to be sworn in?

2

3

(Witnesses sworn.)

4

5

MR. VANDIVER: May I proceed?

6

MR CATANACH: Yes, you may.

7

8

SCOTT WILSON,

9

being called as a witness and being duly sworn upon his

10

oath, testified as follows, to-wit:

11

12

DIRECT EXAMINATION

13

BY MR. VANDIVER:

14

Q

Please state your name, occupation, and

15

where you reside.

16

A

My name is Scott Wilson. I'm Vice Presi-

17

dent of Rio Pecos Corporation, here on behalf of Yates Pet-

18

roleum Corporation. I reside in Midland, Texas.

19

Q

What is your occupation?

20

A

I'm a Certified Professional Landman.

21

Q

Have you previously testified before the

22

New Mexico Oil Conservation Division in your capacity as a

23

petroleum landman?

24

A

Yes, I have.

25

Q

And have your qualifications been accep-

1 ted?

2 A Yes, they have.

3 Q Are you familiar with the application in
4 this case?

5 A Yes.

6 Q And are you familiar with the status of
7 the title to the land involved in this case?

8 A Yes.

9 MR. VANDIVER: Mr. Examiner, I
10 would tender Mr. Wilson as an expert petroleum landman.

11 MR. CATANACH: Mr. Wilson is so
12 qualified.

13 Q Mr. Wilson, what is the purpose of the
14 application in this case?

15 A The application seeks to compulsory pool
16 the west half of the southeast quarter of Section 26, Town-
17 ship 16 South, Range 37 East, Lea County, New Mexico, being
18 an 80-acre proration unit, for the drilling of an 11,800-
19 foot Strawn test.

20 It also seeks the approval of an unortho-
21 dox location for that well at a location 1850 feet from the
22 east line and 2400 feet from the south line of Section 26.

23 It also seeks to establish reasonable
24 costs for the drilling of the well and operating of the
25 well, supervision, et cetera, and establish a risk factor

1 with regard to the forced pooling.

2 Q Mr. Wilson, if I could refer you to
3 what's been marked for identification as the Applicant's Ex-
4 hibit One, and ask you to describe what that is.

5 A Exhibit One is simply a Midland Map
6 Company lease and mineral ownership plat for reference
7 purposes. I've outlined in red the designated proration
8 unit for the well and the location for the well.

9 Q All right. Is there anything else you
10 want to point out by Exhibit One?

11 A No.

12 Q Okay. If I could refer you to what's
13 been marked for identification as Applicant's Exhibit Two
14 and ask you to describe for the Examiner what that is.

15 A Exhibit Number Two represents the names
16 of the parties and companies who we initially sought or
17 are seeking to force pool by this hearing.

18 There are fifty of them. I would like to
19 point out that the majority of the parties listed on this
20 schedule are actually mineral owners, with the exception of
21 the parties listed as number 7, Nitram Enterprises, Inc.;
22 number 11, Inexco Oil Company; number 12, EP Operating Com-
23 pany; number 13, Mesa Operating Limited Partnership; number
24 14, Standard Oil Production Company.

25 Those parties are leasehold owners,

1 therefore working interest owners in the drilling of this
2 well.

3 The balance of the parties represent very
4 small mineral interest owners. Back in the early thirties a
5 party named Harry S. Wright conveyed roughly a one percent
6 interest to sixty different parties and the balance of these
7 parties represent those sixty parties that we couldn't
8 otherwise lease or locate to lease.

9 As to the working interest owners, start-
10 ing with Nitram Enterprises, Inc., number 7, we have offered
11 them the opportunity to sublease, farm out, or participate.
12 They were notified of forced pooling, I'll speak more on
13 that later.

14 Also Inexco Oil Company, being a sub-
15 sidiary of Louisian Land and Exploration Company, as of this
16 morning has agreed to participate in drilling the well.

17 EP Operating Company, number 12 listed on
18 the schedule, has tentatively agreed to sublease or farm
19 out.

20 Number 13, Mesa Operating Limited Part-
21 nership, has tentatively agreed to sublease subject to
22 final management approval.

23 Number 14, Standard Oil Production Com-
24 pany, has tentatively agreed to sublease, and that pretty
25 well covers the working interest owners.

1 Q So of the working interest owners the
2 only one that you've not reached an -- that Yates has not
3 reached an agreement with is Nitram Enterprises, Inc..

4 A A tentative agreement with.

5 Q Okay.

6 A Correct.

7 Q And the balance of the parties listed on
8 Applicant's Exhibit Two collectively own a 1 percent mineral
9 interest in the lands involved?

10 A Less than 1 percent and I might add I
11 listed them in this particular order to correspond with the
12 order they were listed on the application.

13 Q Have the owners of this mineral interest
14 been involved in compulsory pooling proceedings previously?

15 A Yes. In 1982 H. L. Brown, Junior, sought
16 the approval of the Commission for forced pooling the -- I
17 believe it was the west -- I believe it was the south half
18 of the southwest quarter of Section 26 for the drilling of
19 its M. Wright Trust No. 1 Well, which was also a Strawn
20 test. At the time they also attempted to locate these same
21 small mineral interest owners that we are attempting -- that
22 we attempted to locate and they were unsuccessful in locat-
23 ing many of them.

24 Those that are listed as unable to locate
25 were listed as such because in effect H. L. Brown, Junior,

1 in 1982 could not locate those parties and extensive efforts
2 were made to locate those parties. They had a landman named
3 Charles Qualia (sic) who did their work for them and in at-
4 tempting to contact these parties sought information from
5 the other parties he could contact; also ran an ad in the
6 Mason City, Iowa, newspaper where most of these parties
7 seemed to located, or at least in the area.

8 And after very, very diligent search, in
9 my opinion, was unable to locate those parties.

10 Now, those parties for whom we only had a
11 name, city, and state address, no street address, if H. L.
12 Brown was unable to locate them, we thought it was futile
13 for us to even attempt to locate them, so therefore we
14 didn't try at that point.

15 Those that I did have an address for, a
16 street address for, I did go ahead and attempt to once again
17 locate those parties, duplicating H. L. Brown's effort, and
18 still for the most part was unable to locate any of those
19 parties either.

20 Also I might add that -- that particular
21 case number, for the record, was Case Number 7425, brought
22 before the Commission in April, 1982, or actually the order
23 of the Commission was April the 14th, 1982.

24 I'd also like to add that I appeared be-
25 fore the Commission here just about a month ago in Amerind

1 Case Number 9162, not on behalf of Amerind but as an
2 opposing witness, but nevertheless, in that same case
3 Amerind had the Harry S. Wright assignees also involved, and
4 those same parties that H. L. Brown could not locate, they
5 could not locate.

6 So there's been numerous attempts by
7 other operators to locate these same parties and without
8 success.

9 Q In the Amerind case did they mail notice
10 to the people that could not be located in the various
11 cities?

12 A Yes, they did.

13 Q And what was the result of their mailing?

14 A They -- the post office returned their
15 attempted notifications.

16 Q And of the mineral owners for whom you
17 had an address, what was the result of your mailing?

18 A The post office also returned those
19 attempted notifications.

20 Q Now if I could refer you -- is there any-
21 thing else you wanted to point out by Exhibit Two?

22 A No.

23 Q If I could refer you to what's been mar-
24 ked for identification as the Applicant's Exhibit Number
25 Three and ask you to describe what that is.

1 A Exhibit Number Three is simply copies in
2 chronological order of various correspondence sent out in
3 attempts locate and lease the Harry S. Wright assignees, and
4 we attempted to locate these parties starting in September,
5 '86, and have continued until -- until recent times.

6 There's numerous, numerous items of
7 correspondence that I really see no reason to go into
8 specifically.

9 And also return receipts, not return
10 receipts, but copies of the envelopes that were actually
11 returned to us after having attempted to locate those
12 parties we did have addresses for that H. L. Brown otherwise
13 couldn't previously locate.

14 Q All right. If I could refer you to
15 what's been marked for identification as the Applicant's
16 Exhibit Number Four and ask you to describe what that is,
17 please.

18 A Exhibit Number Four is a letter dated
19 June the 30th, 1987, written by myself to the working
20 interest owners in the south half of Section 26. I might
21 add while I'm at it, for clarification purposes, that title
22 is common in the south half of 26. That is when H. L.
23 Brown, Junior, drilled their well in the south half south-
24 west quarter of Section 26, it involved the same parties
25 that are involved in the west half southeast quarter of Sec-

1 tion 26. They were also attempting to locate because title
2 is common.

3 In any event, this is a letter dated June
4 the 30th, 1987, to the working interest owners in the south
5 half of Section 26 whereby we proposed the drilling of our
6 well in the west half southeast quarter of Section 26 and
7 requested that the parties either farm out, participate, or
8 give us a sublease for \$300 per acre, delivering a 75
9 percent net revenue interest, and delivering a 75 percent
10 net revenue interest; if they had a larger net revenue
11 interest they would reserve the difference as an overriding
12 royalty.

13 We set out the farm out terms, also, in
14 the letter. The farm out terms being Yates would pay the
15 farming out party's share of the cost in drilling the well.
16 In return the contributing parties, the farming out parties,
17 would deliver a 75 percent net revenue interest prior to pay
18 out, net pay out; would have the right to convert their
19 override to a 25 percent working interest.

20 Q What percentage of the working interest
21 has at this point tentatively committed to participate or
22 farm out or give a sublease?

23 A 99.some percent. Everyone has agreed to
24 do something with the exception of Nitram Enterprises, which
25 has less than 1 percent. They have .93750 percent.

1 Q All right, if I could refer you to what's
2 been marked for identification as the applicant's Exhibit
3 Number Five and ask you to describe what that is, please.

4 Q Let me back up to Exhibit Number Four
5 here --

6 Q Okay.

7 A -- just real quick. Also attached to
8 this particular exhibit is an Authority for Expenditure as
9 prepared by Yates Petroleum Corporation and a leasehold
10 schedule setting forth the interests of the parties.

11 Q Is there anything else you'd like to --

12 A No.

13 Q Okay, now if I could refer you to Exhibit
14 Five and ask you to describe what that is, please?

15 A Exhibit Number Five is a copy of my
16 letter dated July the 16th, 1987, whereby we sent the
17 working interest owners a copy of a proposed operating
18 agreement to be entered into by the parties who elect to
19 farm out or participate for the drilling of the well and
20 attached to that is an abbreviated copy of the operating
21 agreement with signature page, location for the initial test
22 well, the nonconsent penalty of 300 percent, the casing
23 point election. Exhibit A sets forth the interest of the
24 parties and page three of the accounting procedure sets
25 forth the overhead rates, and I might add that no one, none

1 of the 99 percent interest owned by the various working
2 interest owners have objected to the 300 percent nonconsent
3 penalty, nor the overhead rates, being \$5400 for a drilling
4 well and \$540 for producing well.

5 Q Okay, is there anything else about
6 Exhibit Five?

7 A No.

8 Q All right, if I could -- I don't believe
9 you have a copy, but if I could refer the Examiner to
10 Exhibit Six, Applicant's Exhibit Six, and ask you to
11 describe for the Examiner what that exhibit is?

12 A Exhibit Six is simply an affidavit on my
13 part that sets forth the names of the parties that we
14 otherwise are seeking to force pool, that we were able to
15 locate, and also the names of the parties that we otherwise
16 are seeking to force pool that we were not able to locate,
17 and indicates that I made a diligent attempt based upon --
18 well, made a diligent attempt to contact those parties, if
19 the effort was warranted.

20 MR. VANDIVER: Mr. Examiner,
21 I'll move the admission of Applicant's Exhibits One through
22 Six.

23 MR. CATANACH: Exhibits One
24 through Six will be admitted into evidence.

25 MR. VANDIVER: And I'll pass

1 the witness.

2 MR. CATANACH: Mr. Bruce, any
3 questions?

4 MR. BRUCE: Just one.

5

6 CROSS EXAMINATION

7 BY MR. BRUCE:

8 Q Mr. Wilson, other than your letter dated
9 June 30th, '87, have you made any other contacts with Nitram
10 Enterprises?

11 A No. Matter of fact I would have liked to
12 have done so but all I had was a post office box for Nitram
13 Enterprises. I had no idea until a few days ago who Nitram
14 Enterprises even was, being Mr. C. D. Martin. I checked the
15 telephone directory in Midland, Texas, and there is no list-
16 ing in the telephone directory in Midland, Texas, for Nitram
17 Enterprises.

18 I checked the Armstrong Oil Directory and
19 Nitram Enterprises is not listed in the Armstrong Oil Direc-
20 tory.

21 So other than that particular letter I
22 had no way of contacting Nitram Enterprises. In fact my
23 first contact from them was on July the 22nd.

24 But I did make an attempt to contact them
25 without success, as I attempted to contact and did contact

1 all of the other working interest owners.

2 Q But you didn't send any other letters.

3 A No, I didn't.

4 MR. CATANACH: Mr. Vandiver, is
5 your other witness going to be able to testify as far as the
6 geologic risk?

7 MR. VANDIVER: Yes, sir.

8 MR. CATANACH: And the overhead
9 rates, or should I address any questions about the overhead
10 rates to Mr. Wilson?

11 MR. VANDIVER: I think you
12 should address your questions to Mr. Wilson.

13

14 CROSS EXAMINATION

15 BY MR. CATANACH:

16 Q Okay, Mr. Wilson, what are your overhead
17 rates based on at this point? How did you come up with the
18 figures?

19 A The overhead rates, as I understand it,
20 and I didn't base the overhead rates on anything, let me
21 make it clear. These are overhead rates established by
22 Yates Petroleum Corporation, but they are based upon Yates
23 Petroleum Corporation's drilling experience in the area and
24 they have drilled approximately 10 Strawn tests in the area
25 to date, or been involved whether they operated or not.

1 Let me back up. They didn't -- they have
2 not necessarily operated but they have had working interest
3 in about 10 Strawn tests in the area to date and based upon
4 their working interest in those 10 Strawn tests, I assume,
5 and I can only assume because, as I said, I'm not the one
6 that came up with the rates, I assume that these rates are
7 based upon their experience in the area, what other people
8 have charged and what they feel is reasonable.

9 And as I did mention, this operating
10 agreement has gone out to the other working interest owners
11 and none of the other owners representing 99 percent of the
12 interest to date have expressed any objections at all to the
13 overhead rates.

14 MR. CATANACH: I don't have any
15 more questions at this time.

16 The witness may be excused.

17 MR. VANDIVER: May I proceed?

18 MR. CATANACH: Go ahead.

19

20 NORBERT T. REMPE,

21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

23

24

25

1 DIRECT EXAMINATION

2 BY MR. VANDIVER:

3 Q Please state your name, your occupation,
4 and by whom you're employed.5 A My name is Norbert T. Rempe. I'm a
6 geologist and I'm employed by Yates Petroleum Corporation in
7 Artesia, New Mexico.8 Q Mr. Rempe, have you previously appeared
9 before the Oil Conservation Division as a geologist and had
10 your qualifications accepted by the Division?

11 A Yes.

12 Q Are you -- have you made an evaluation of
13 the available geological data in connection with Yates ap-
14 plication in this case?

15 A Yes, I have.

16 MR. VANDIVER: Mr. Examiner, I
17 would tender the witness as an expert petroleum geologist.18 MR. CATANACH: He is so quali-
19 fied.20 Q Mr. Rempe, if I could refer you to the
21 Applicant's Exhibit Seven in this case and ask you to de-
22 scribe what that is.23 A Exhibit Number Seven shows a section of
24 the Northeast Lovington Strawn area and surrounded by red
25 lines the three producing mounds within the Strawn reser-

1 voir. One is known as the Casey Field in the south half of
2 27 and the north half of Section 34.

3 Then west of that in Section 33 there's a
4 2-well field known as the West Casey Field and the third
5 field outlined by a red margin is part of the Northeast
6 Lovington Strawn Field.

7 The location for the proposed well is
8 indicated by a double circle just about in the center of
9 Section 26.

10 So this exhibit shows that production is
11 scattered and limited to certain isolated mounds. We do not
12 have continuous production throughout the area. It is in
13 isolated spots.

14 Q What is the distance of your proposed
15 location from the closest Strawn producer in the area?

16 A It's a little bit over half a mile.

17 Q And your proposed location is within --
18 within a mile of the Casey Strawn Pool.

19 A That's correct.

20 Q Is there anything else you want to point
21 out by --

22 A No.

23 Q All right, if I can refer you to the
24 Applicant's Exhibit Eight and ask you to describe what that
25 is, please?

1 A Exhibit Number Eight shows Section 26 in
2 Township 16 South, Range 37 East, and the half sections sur-
3 rounding that section. It is a map. It is a structure map
4 drawm on the top of the Strawn Limestone, which is the main
5 producing formation in the area.

6 This map is based to a large extent on
7 the results of a geophysical work and the seismic lines are
8 depicted within Section 26 by the straight lines with the
9 little circles, indicating the shot points.

10 You notice that one seismic line goes
11 diagonally from the northwest to the southeast and goes
12 straight through the proposed location indicated on the map
13 by a solid black dot.

14 The map also shows four wells of the ad-
15 jacent Casey Field mentioned before to the southwest of the
16 proposed location.

17 Q What is the purpose of your unorthodox
18 location?

19 A When you drill based on seismic in the
20 Northeast Lovington Strawn area, and that includes the Casey
21 and the Humble City and the Shipp and a couple other little
22 fields, you better drill right on the sweet spot. If you
23 don't, some of these mounds are so small you might just
24 drill right off the mound and Yates actually has drilled at
25 least two wells that I know of not exactly on the best spot

1 indicated by seismic and as a result of that failed in mak-
2 ing a producer.

3 We feel that we have to drill in exactly
4 the best spot in order to have a reasonable rate, reasonable
5 expectation of success.

6 That's why we need -- that's why we are
7 applying for an unorthodox location in this case, because
8 that's what the seismic indicates.

9 Q Is there one such well in Section 26
10 drilled by Yates?

11 A Yes, that is correct, and that is the
12 Brown AI No. 1, which is the dry hole location to the
13 northeast of the proposed location that was just drilled in
14 March of this year and it ended up dry; however, we do have
15 indications within this well, we can talk about this when we
16 look at the next exhibit, that we are close to a mound.

17 Q All right, is there anything else you
18 want to point out about Exhibit Eight?

19 A No.

20 Q Okay, if I could refer you, then, to
21 Applicant's Exhibit Nine and ask you to describe what that
22 is, please.

23 A In the lower right corner of Exhibit Nine
24 is a location map and Exhibit Nine itself is a cross
25 section. Up on the top of the large cross section from A to

1 A' it goes from the southwest to the northeast, roughly, of
2 Section 26, and the two end points of that cross section are
3 two dry holes; in the southwest the H. L. Brown Jr. AI Trust
4 No. 1 and in the northeast the aforementioned Yates
5 Petroleum Brown AI No. 1, also a dry hole.

6 What this section shows is that in the
7 Yates Brown AI NO. 1 we have an abnormally thick Lower
8 Strawn section, which is usually an indication of being
9 close to a mound that would have porosity and therefore an
10 oil reservoir.

11 We also see in that same log indications
12 for at least incipient fractures or fracture porosity, and
13 whenever we have this in a log we're usually close to a
14 mound as well.

15 Then going up dip from that we postulate
16 that we're actually increasing the thickness of the Lower
17 Strawn by some amount and that therefore we have an
18 excellent chance of hitting some porosity within that Lower
19 Strawn interval, as well.

20 In the H. L. Brown Well you may notice
21 some incipient porosity, as well. We believe, based on the
22 seismic that we shot over the whole section and that we also
23 traded for some of the line, that this well is actually on
24 the fringe of another mound which is actually the Casey
25 Field that is to the southwest of our proposed location.

1 Furthermore, on this Exhibit Number Nine
2 you see in the lower left a stratigraphic model of a Strawn
3 mound as indicated by seismic modeling and this is a
4 conceptual drawing what we think the situation over the
5 proposed location looks like and I refer you to the index
6 map again, the picture as shown here would be cross section
7 B-B', going from the northwest to the southeast, and this is
8 strictly a computer model. This is what we think is there
9 based on some assumptions, but this is our mental picture of
10 what we expect once we drill -- what we expect to find once
11 we drill the proposed well.

12 Q Is there anything else you wanted to
13 point out about Exhibit Nine?

14 A No.

15 Q Mr. Rempe, based upon your examination of
16 the available geological data, have you formed an opinion
17 concerning the risk involved in drilling your proposed well?

18 A Yes, there are several risks involved.

19 First, the common risk that even in a
20 mound of porosity you can drill through a tight spot right
21 within the porosity. Those instances have happened and they
22 are possible.

23 Furthermore, referring you back to
24 Exhibit Number Eight, it shows very clearly that the
25 proposed location is a step-out by about 3/4 of a mile from

1 existing production. We have dry holes all around the
2 proposed location. That means several people have tried to
3 hit the Strawn reservoir and haven't found it.

4 Furthermore, all the way out toward the
5 east from the Casey Field there is no established production
6 yet, so there could be considerable risk involved in
7 drilling this location.

8 Q Based upon these factors have you formed
9 an opinion as to the appropriate penalty that should be
10 ordered in this case for parties compulsorily pooled?

11 A Yes. If I am informed correctly, the H.
12 L. Brown Wright Trust No. 1 had established a 200 percent
13 penalty and I believe that the same is justified for our
14 proposed location.

15 Q Mr. Rempe, will approval of this applica-
16 tion afford the applicant opportunity to produce its just
17 and fair share of oil and gas, prevent economic loss caused
18 by drilling unnecessary wells, avoid the augmentation of
19 risk arising from drilling an excessive number of wells, and
20 prevent waste and protect correlative rights?

21 A Yes, in my opinion, it will.

22 MR. VANDIVER: Mr. Examiner,
23 I'll move admission of Applicant's Exhibits Seven, Eight,
24 and Nine.

25 MR. CATANACH: Exhibits Seven

1 and Nine will be admitted into evidence.

2 MR. VANDIVER: And pass the
3 witness.

4 MR. CATANACH: Mr. Bruce.

5 MR. BRUCE: I don't have any
6 questions, Mr. Examiner.

7

8 CROSS EXAMINATION

9 BY MR. CATANACH:

10 Q Mr. Rempe, this would be a new structure
11 that hasn't been defined as of yet by any producing wells,
12 isn't it?

13 A Not by producing wells. It has been
14 defined by seismic.

15 Q By seismic. This would be typical of the
16 mounds in this area. It would be not connected to any of
17 the production in the other pools (Unclear.)

18 A That is right; in that sense it would be
19 typical, yes.

20 Q Mr. Rempe, in your application you are
21 seeking to pool a 40-acre proration unit and an 80. What's
22 -- what's the purpose of pooling the 40?

23 A I believe that would be for possible
24 back-up zones further up the hole but I don't really con-
25 sider myself qualified to answer that question.

1 Q Do you know if there are any 40-acre oil
2 pools in this area?

3 A I believe the Drinkard and the Abo may be
4 two. Both of those formations produce in this vicinity.

5 MR. DICKERSON: Mr. Examiner,
6 the purpose of that is only to take into account the
7 possibility that some zone up the hole may be completed for
8 which the special pool rules would not apply on 80-acre
9 spacing.

10 MR. CATANACH: Thank you, Mr.
11 Dickerson.

12 I don't think I have any more
13 questions of the witness at this time.

14 He may be excused.

Mr. Vandiver, your application
is also for an unorthodox location. Let me ask you, who
owns the -- who owns the interest in the north half of Sec-
tion 26?

19 MR. VANDIVER: I believe Yates
20 Petroleum Corporation and other in-house entities own -- is
21 that correct?

22 MR. WILSON: Yes, Yates Petro-
23 leum Corporation owns the leasehold, 100 percent of the
24 leasehold.

25 The minerals are owned by Tom

1 Brown, Inc., 50 percent, and H. L. Brown, Jr., 50 percent.

2 MR. VANDIVER: We also notified
3 the mineral owners of this hearing.

4 MR. WILSON: They're very much
5 aware of this unorthodox location. In fact, both of them
6 recently granted lease extensions so that we could pursue
7 and drill this well at this location and we have no objec-
8 tions.

9 MR. CATANACH: Would counsel
10 like to make closing statements?

11 Mr. Bruce?

12 MR. BRUCE: Just very briefly,
13 Mr. Examiner.

14 My client, Nitram Enterprises,
15 is appearing merely because they have not had time to review
16 the well proposal and they do not believe they have suffi-
17 cient information to decide whether to join in the well or
18 go nonconsent or sublease or farm out.

19 However, Nitram Enterprises
20 does not object to the proposed unorthodox location.

21 MR. CATANACH: Mr. Bruce,
22 you're not -- was -- was notice to your client sufficient,
23 as far as you're concerned?

24 MR. BRUCE: Well, the notice of
25 the hearing was. I have questions about whether sufficient

1 attempt was made to get them to join in the well.

2 MR. CATANACH: Mr. Vandiver,
3 anything further?

4 MR. VANDIVER: Mr. Examiner,
5 I'd simply state that I think there is substantial evidence
6 to show the need for the proposed unorthodox location; that
7 the risk involved in drilling this well is substantial and
8 think the 200 percent penalty is warranted.

9 The applicant made diligent ef-
10 forts to locate and notify all of the parties to be compul-
11 sorily pooled, including the working interest owners, and
12 would ask that the application be granted in every respect.

13 MR. CATANACH: Thank you.

14 Is there anything further in
15 Case 9181?

16 If not, it will be taken under
17 advisement.

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19 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO
HEREBY CERTIFY the foregoing Transcript of Hearing before
the Oil Conservation Division (Commission) was reported by
me; that the said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 9181
heard by me on 7/29/ 1987.

David R. Cotnam, Examiner
Oil Conservation Division