

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASE 9964

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for an
Unorthodox Gas Well Location, Lea County, New
Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

June 27, 1990

ORIGINAL

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Natural Gas Programs
P.O. Box 2088
Room 206, State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

FISK & VANDIVER
Attorneys at Law
By: DAVID R. VANDIVER
Seventh & Mahone, Suite E
Artesia, New Mexico 88210

FOR FINA OIL AND CHEMICAL CORPORATION
AND MANZANO OIL CORPORATION:

KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
By: W. THOMAS KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

* * *

I N D E X

Page Number

Appearances

2

Exhibits

3

ROBERT BULLOCK

Direct Examination by Mr. Vandiver

5

Cross-Examination by Mr. Kellahin

24

Examination by Examiner Catanach

25

Redirect Examination by Mr. Vandiver

29

Certificate of Reporter

33

E X H I B I T S

APPLICANT'S EXHIBITS:

Exhibit 1

6

Exhibit 2

6

Exhibit 3

7

Exhibit 4

8

Exhibit 5

9

Exhibit 6

11

Exhibit 7

12

Exhibit 8

13

Exhibit 9

14

Exhibit 10

16

Exhibit 11

17

Exhibit 12

21

* * *

1 WHEREUPON, the following proceedings were had
2 at 1:42 p.m.:

3 EXAMINER CATANACH: At this time we'll call
4 Case 9964.

5 MR. CARROLL: Application of Yates Petroleum
6 Corporation for an unorthodox gas well location, Lea
7 County, New Mexico.

8 EXAMINER CATANACH: Are there appearances in
9 this case?

10 MR. VANDIVER: Mr. Examiner, my name is David
11 Vandiver of the firm of Fisk and Vandiver in Artesia,
12 appearing on behalf of the Applicant Yates Petroleum
13 Corporation, and I have one witness to be sworn.

14 EXAMINER CATANACH: Any other appearances?

15 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin
16 of the Santa Fe law firm of Kellahin, Kellahin and
17 Aubrey, appearing on behalf of Fina Oil and Chemical
18 Corporation and Manzano Oil Corporation.

19 EXAMINER CATANACH: Any witnesses, Mr.
20 Kellahin?

21 MR. KELLAHIN: No, sir.

22 EXAMINER CATANACH: Will the witnesses please
23 stand to be sworn in at this time?

24 (Thereupon, the witness was sworn.)

25 MR. VANDIVER: May I proceed, Mr. Examiner?

1 EXAMINER CATANACH: Yes, sir.

2 ROBERT BULLOCK,

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 MR. VANDIVER:

7 Q. Mr. Bullock, please state your name, your
8 occupation and by whom you are employed?

9 A. Robert Bullock. I'm a petroleum landman with
10 Yates Petroleum in Artesia.

11 Q. Have you previously testified before the New
12 Mexico Oil Conservation Division?

13 A. No, I have not.

14 Q. What is your education, Mr. Bullock?

15 A. I have a BBA from New Mexico State
16 University.

17 Q. And how long have you been employed by Yates
18 Petroleum Corporation?

19 A. Eleven years.

20 Q. And that's as a landman?

21 A. That's correct.

22 Q. Are you familiar with the Application of
23 Yates in this case?

24 A. Yes, I am.

25 Q. And are you familiar with the title to the

1 land in the area of Yates's Lusk "AHB" Federal Number 1
2 Well?

3 A. Yes, I am.

4 Q. And are you familiar with the circumstances
5 under which that well was drilled?

6 A. Yes, I am.

7 MR. VANDIVER: Mr. Examiner, is the witness
8 qualified?

9 EXAMINER CATANACH: Yes, sir.

10 Q. (By Mr. Vandiver) Mr. Bullock, if I could
11 refer you to Applicant's Exhibit Number 1 and ask you
12 to identify that exhibit and explain what's shown.

13 A. That is the spacing unit dedicated to the
14 drilling of our Lusk "AHB" Federal Number 1 Well, being
15 the north half of Section 35, 19, 32.

16 Q. And the well is shown on that plat, is it
17 not?

18 A. That's correct.

19 MR. VANDIVER: Mr. Examiner, Applicant's
20 Exhibit 2 is an affidavit of mailing in accordance with
21 Rule 1207 reflecting the notice to the offsetting
22 operators and those parties who could be adversely
23 affected, prepared by my office, reflecting such
24 notice.

25 Q. (By Mr. Vandiver) Now, Mr. Bullock, if I

1 could refer you to Applicant's Exhibit 3 in this case
2 and ask you to identify that exhibit.

3 A. This is the federal oil and gas lease that
4 was issued to Yates, effective March 1, 1985.

5 Q. And what land does that lease cover?

6 A. It covers all of Section 35, 19 South, 32
7 East.

8 Q. What's the effective date of the lease?

9 A. March 1, 1985.

10 Q. And what is the primary term of the lease?

11 A. Five-year term.

12 Q. So the expiration of the term was February
13 28th, 1990?

14 A. That's correct.

15 Q. What's the result if you fail to commence
16 drilling operations prior to February 28, 1990?

17 A. Termination of this lease.

18 Q. Now, if I could refer you to paragraph 6 on
19 the back of the lease form and ask you to briefly
20 describe what's required under paragraph 6 of the
21 lease?

22 A. Well, it requires us to be conducting
23 drilling operations over the lease at the expiration
24 date of the lease, to perpetuate the lease.

25 Q. Referring to paragraph 6, conduct of

1 operations, that paragraph deals with the manner in
2 which operations are to be conducted, does it not, and
3 that you're required to minimize adverse impacts to,
4 among other things, cultural and biological resources?

5 A. That's correct.

6 Q. Now, if I could refer you to Applicant's
7 Exhibit Number 4 in this case, which is a portion of 43
8 CFR, Section 3160, which is the federal regulations
9 governing drilling operations on federal land, and
10 specifically Section 3162.3-1(g), which is on the last
11 page of that exhibit, and ask what's required under
12 those regulations.

13 A. We have to provide or apply for an
14 application for a permit to drill at least 30 days
15 before the expiration term of the lease, and that
16 application must be approved by the BLM.

17 Q. And does that regulation also call for
18 posting of notice of your proposed drilling operations?

19 A. That's correct.

20 Q. And the Bureau of Land Management posts
21 notice of your operations for at least 30 days prior to
22 approval of an application?

23 A. That's correct.

24 Q. Mr. Bullock, let me ask you, the primary term
25 of this lease was expiring February 28, 1990. Did

1 Yates Petroleum Corporation have any plans to conduct
2 drilling operations in order to perpetuate the lease?

3 A. Yes, we did have plans. We were, however,
4 contacted by Anadarko approximately January 16 of 1990,
5 whereby they solicited a farmout from us.

6 Q. Now, if I could refer you to Applicant's
7 Exhibit 5 and ask you to identify what's contained in
8 that Exhibit.

9 A. That is the Anadarko letter of January 25,
10 1990, whereby they confirmed the telephone agreement
11 that we had concerning our trade with regard to their
12 accepting our farmout of these -- of the lands in
13 Section 35 of 19, 32.

14 Q. And upon reaching agreement with Anadarko in
15 principle to farm out the lease to them, what was
16 Yates's position? Were you still contemplating
17 conducting drilling operations on the lease?

18 A. No, at this point in time we felt secure that
19 Anadarko would fulfill this agreement, and so we
20 discontinued any plans that we had to drill ourselves.

21 Q. All right. Now, if I could refer you to the
22 specifics of the January 25, 1990, letter from Michael
23 Goode of Anadarko and ask what type well Anadarko
24 planned to drill on this lease?

25 A. Anadarko was going to drill a Bone Spring

1 test of approximately 7900 feet.

2 Q. And what's the spacing unit for a Bone Spring
3 well in that area?

4 A. I believe the spacing is 40 acres.

5 Q. And what was the location that they indicated
6 in their letter?

7 A. In this letter he set out a location of 1650
8 from the east, 660 from the north line.

9 Q. Then if you could turn to the second page of
10 Exhibit 5 and describe what's -- what that is.

11 A. Yates paid six-year rentals as required by
12 the BLM. That letter is the transmittal of those six-
13 year rentals in the amount of \$637.

14 Q. And at that point your letter indicates that
15 Anadarko was planning to drill the well at a location
16 1650 feet from the east line and 850 feet from the
17 north line of Section 35; is that correct?

18 A. That's correct.

19 Q. Then if I could refer you to the next page,
20 that's the rental payment check?

21 A. That's correct.

22 Q. And then the next page is a letter of January
23 24, 1990, from Anadarko to their attorney, Sim Christy,
24 in Roswell?

25 A. That's correct.

1 Q. And they indicate that they are, in their
2 words, "furiously pursuing the permitting process and
3 hope to have an authorized well location 1650 from the
4 east line and 660 from the north line of Section 35 so
5 that we may commence drilling just in the nick of
6 time."

7 A. That's correct.

8 Q. Then the next page of that exhibit, I'd ask
9 you to describe what that is.

10 A. Apparently that's an application for their
11 right-of-way permit to get into this lease acreage to
12 drill their well.

13 Q. Now, Mr. Bullock, prior to agreeing to farm
14 out this lease to Anadarko, what kind of well were you
15 planning to drill?

16 A. Yates was going to drill a Morrow test.

17 Q. All right. Now, if I could refer you to
18 Applicant's Exhibit Number 6 and ask you to identify
19 that exhibit and describe what's contained.

20 A. That is our transmittal letter of the farmout
21 agreement to Anadarko Petroleum Corporation, dated
22 February 7.

23 Q. And then included in that exhibit is the
24 farmout agreement?

25 A. That's correct.

1 Q. And this farmout agreement required Anadarko,
2 as previously agreed in principle, to commence on or
3 before February 28th --

4 A. That's correct.

5 Q. -- drilling operations at the location that
6 -- the changed location, 1650 from the east and 800
7 feet from the north line of Section 35?

8 A. That's correct.

9 Q. And this is a typical form of farmout
10 agreement that Yates Petroleum Corporation enters into?

11 A. That's correct.

12 Q. Now, if I could refer you to Applicant's
13 Exhibit 7 and ask you to identify that exhibit.

14 A. That is Anadarko's application for permit to
15 drill. They were calling the well the Yates 35 Federal
16 Number 1. It's dated 2-1-90.

17 Q. And do you know the date that that
18 Application was approved? It doesn't appear to be
19 shown on the exhibit.

20 A. This exhibit doesn't indicate the date of
21 approval.

22 Q. All right. And that application was,
23 according to what had been agreed, under the farmout
24 agreement --

25 A. That's right.

1 Q. -- for a Bone Springs test.

2 But this application was subsequently
3 approved, was it not?

4 A. That's correct, it was approved.

5 Q. Now, if I could refer you to the Applicant's
6 Exhibit Number 8 and ask you to describe what that is.

7 A. That's an archeological report prepared by
8 Dr. J. Loring Haskell, submitted to Anadarko for the
9 drilling of their Yates 35 Federal Number 1 Well. It's
10 dated February 3, 1990.

11 Q. What is the purpose of an archeological
12 clearance report?

13 A. It's so the applicant can get into their
14 drill site and know that they have the right to do so.

15 Q. Is it possible to have an application for
16 permit to drill under a federal oil and gas lease
17 approved without obtaining an archeological clearance?

18 A. Not to my knowledge, it's not.

19 Q. Does this archeological clearance indicate
20 that the archaeologists discovered anything in the area
21 of the proposed location?

22 A. I have not read it in its entirety. However,
23 they did get a clearance in to the location, so
24 apparently he did find a way in. And that's...

25 Q. If I could refer you to paragraph -- I mean

1 page 2, where it's labeled "Level of Previous Impact,"
2 and ask you to read that. No, page 2.

3 A. Okay.

4 Q. There you go.

5 A. "The proposed location is crossed by two
6 aqueducts on the northwest. The access road,
7 consisting of 6800 feet of existing ranch road to be
8 upgraded, crosses two aqueducts, a power line, a gas
9 line and a water line."

10 Q. All right. Now, if I could refer you to
11 Applicant's Exhibit 9 and ask you to describe what's
12 contained in that exhibit.

13 A. That is an Anadarko transmittal letter of
14 February 12, whereby they returned the farmout
15 agreement to us indicating that they had chosen not to
16 drill the Yates farmout.

17 It goes on to say that they will cooperate
18 with us to have the APD changed to reflect Yates as
19 operator.

20 Q. And the second page of that exhibit is what?

21 A. In the second page they address a letter of
22 February 22 to BLM in Carlsbad, attention Shannon Shaw,
23 requesting that Yates be allowed to assume their
24 position in the APD and to -- and application for right
25 of way, so that Yates could get in to drill the well.

1 Q. Now, at the point that you received -- Do you
2 know the date that you received Anadarko's February
3 12th letter?

4 A. I would assume it was probably -- I believe
5 it was February 14. February 14 I believe was the date
6 we received that.

7 Q. And there were approximately two weeks
8 remaining in the lease term at that point?

9 A. That's correct, two weeks at that point in
10 time.

11 Q. What did you perceive to be your options with
12 regard to this federal lease, NM 59392, at the time you
13 received that letter?

14 A. Well, one would be to lose the lease by not
15 conducting any drilling operations over the expiration
16 date.

17 Another alternative might have been to drill
18 a shallow horizon and then possibly come back at a
19 later point in time and drill a deeper horizon. But
20 our management ruled out that second -- They did not
21 want to do that.

22 Q. You could have gone ahead and drilled the
23 Bone Spring test that Anadarko proposed to drill?

24 A. I suspect we could have, yes.

25 Q. Or Delaware test?

1 A. That's right.

2 Q. Or you could drill the Morrow test that you
3 had planned to in the first place?

4 A. That's correct.

5 Q. What options did you have with regard to
6 obtaining a new location for your proposed Morrow well?

7 A. We felt that we had no options. Due to the
8 aqueduct's crossing Unit B where they crossed, being at
9 the 1980 location, we felt with the amount of time we
10 had remaining we were at -- We didn't have any time;
11 that's essentially it.

12 Q. All right. Now, you did not stake or survey
13 any other locations in Section 35, did you?

14 A. No.

15 Q. And you don't know whether there were any
16 orthodox locations available in the section?

17 A. I'm sure there were some orthodox locations
18 available in the section. However, they weren't
19 available to us at this point in time.

20 Q. You assume that there were orthodox locations
21 available, but not having done an archeological study,
22 you don't know whether they were available or not?

23 A. That's correct, that's correct.

24 Q. And -- Well, let's move on to the next
25 exhibit, Applicant's Exhibit 10. I'll ask you to

1 describe what's contained in that exhibit.

2 Q. That's Yates's sundry notice requesting a
3 name change from the Yates 35 Federal Number 1 to the
4 name that the well currently has, the Lusk "AHB"
5 Federal Number 1.

6 Q. And what else is attached to that exhibit?

7 A. The special drilling stipulations regarding
8 the well sign, also a sundry notice changing the
9 formation, the desired TD from the Bone Spring to the
10 Morrow depth, 13,900. That was submitted to the BLM
11 2-23-90 -- Excuse me, 2-26-90. 2-23-90.

12 Q. And approved by the BLM 2-26-90?

13 A. That's correct.

14 Q. And this was wildcat Morrow?

15 A. That's correct.

16 Q. And your C-102 is also attached to that
17 exhibit?

18 A. That's correct.

19 Q. Now, if I could refer you to Applicant's
20 Exhibit 11 and ask you to describe what's shown on that
21 now.

22 A. All right. The little box -- The dot in the
23 little box is the 1650/880 location that the well was
24 drilled at.

25 Q. And does that square represent the drilling

1 pad?

2 A. I believe that's what it represents, yes.

3 Q. And the aqueducts referred to in the
4 archeological study are shown on this map?

5 A. That's correct, to the west.

6 Q. Is there anything else on this map that would
7 have precluded you from conducting the operations --
8 drilling operations -- anywhere else in the area?

9 A. Well, the aqueducts to the west of our actual
10 location prevented us from drilling the orthodox
11 location.

12 Q. And is there -- Is there not also a gas
13 pipeline to the north of the aqueducts?

14 A. That's correct.

15 Q. And it runs parallel to the aqueducts?

16 A. That's correct.

17 Q. What are these aqueducts?

18 A. I believe they're water lines.

19 Q. If Anadarko had drilled its well at the
20 original proposed location of 660 from the north line
21 and 1650 from the east line, where would that location
22 be?

23 A. That dot is represented by being the top dot
24 there. It puts it right at the north edge of the north
25 water line.

1 Q. Well, actually that location is not shown on
2 this map. It would be directly north of the existing
3 well location, would it not?

4 A. Okay, that's correct.

5 Q. And it would be within the aqueducts?

6 A. That's correct.

7 Q. Now, under the federal regulations requiring
8 the posting of notice prior to approval of an
9 application for a permit to drill, are you allowed to
10 move your location without -- without beginning the 30-
11 day notice period over again?

12 A. If you stay within the quarter quarter,
13 you're allowed to do this. If you come outside the
14 quarter quarter, you're not.

15 Q. So you could have moved your location
16 anywhere within the northwest quarter of the northeast
17 quarter of Section 35 and would not have started the
18 notice period over; is that correct?

19 A. That's correct.

20 Q. But you would have had to obtain a new
21 archeological study, would you not?

22 A. Along with a new right of way.

23 Q. What do you think it would have taken to get
24 a new archeological study at that point?

25 A. Well, we were down to approximately 14 days,

1 and we didn't feel we could do it. We thought we had
2 to go with what we had.

3 Q. Are there any archeological -- Excuse me, are
4 there any orthodox locations within the northwest
5 quarter, northeast quarter that could have been
6 drilled, given the existing aqueducts and the gas line?

7 A. No. No, that's why we drilled where we
8 drilled.

9 Q. And you did not seek the OCD's approval for
10 the unorthodox location prior to drilling this well?

11 A. No, we did not.

12 Q. If you had sought approval, you still would
13 have had to commence drilling operations?

14 A. That's correct.

15 Q. What's the nature of the topography in the
16 area of the well?

17 A. Our permit man indicates that you have deep
18 swells. You're in a sand-dune area, and the dune's 40
19 to 50 feet high. So it's real -- And this was a very
20 costly location to build. I didn't go out to the site
21 myself, but that has been related to me.

22 Q. How long did it take to build the road and
23 the pad for this well?

24 A. I believe it took approximately seven days.

25 Q. Now, there's a large archeological site near

1 this section, is there not?

2 A. That's correct, to the south of it.

3 Q. And that covers several sections?

4 A. That's correct.

5 Q. And the further south you go in this section,
6 the more likely it is there will be archeological
7 sites?

8 A. That's correct.

9 Q. We're talking about burnt rock and other
10 Indian artifacts?

11 A. (Nods)

12 Q. What's -- What is the result when an
13 archeological site is discovered?

14 A. Well, sometimes it often dictates moving the
15 location or postponing drilling operations.

16 Q. All right. Now, if I could refer you to
17 Applicant's Exhibit 12 and ask you to identify what
18 that is.

19 Q. That is Yates's completion report on the Lusk
20 "AHB" Federal Number 1.

21 Q. And it was completed as a Morrow --

22 A. Completed as a Morrow producer. Perforation
23 of 13,616 to 13,624.

24 Q. Were there other prospective zones that you
25 tested on the way down to the Morrow?

1 A. I believe they tested the Wolf Camp, the Bone
2 Spring and the Delaware.

3 Q. And did those look like --

4 A. Those all looked like they might be producing
5 formations.

6 Q. All right. And you are -- Your location is
7 330 feet from the -- from an orthodox location?

8 A. That's correct.

9 Q. When you proposed to drill a Morrow well
10 yourself, before entering into the farmout with
11 Anadarko, do you know where you intended to drill the
12 well?

13 A. I understand that the geologist had picked
14 Unit B as his 1980 north and west, was the footage
15 location he had picked for the Morrow location.

16 Q. But no action was ever taken to try to obtain
17 a permit for that?

18 A. That's correct. Excuse me, I said 1980 north
19 and west. I meant 1980 north and east.

20 Q. Well, that would be in the southwest quarter,
21 northeast quarter. That's unit G, I think.

22 A. Okay, that's not correct either. We're
23 talking 660 north, 1980. We're still in Unit B, still
24 in Unit B.

25 Q. Looking at Exhibit 11, is that location 660

1 from the north and 1980 from the east shown on that
2 exhibit?

3 A. I believe it's at -- The top dot represents
4 660 north.

5 Q. All right.

6 A. The next dot represents 800 north, and the
7 lower one is 990 --

8 Q. Okay.

9 A. -- all being 1980 from the east line.

10 Q. Did the location of your pad in relation to
11 the aqueducts have any effect on how you built your
12 pad?

13 A. I understand that they had to make special
14 provisions to get the pad built in there, the tanks and
15 whatnot, because of the aqueduct. So we were right up
16 there against it at this location of 1650.

17 Q. And you originally sought to obtain
18 administrative approval of this unorthodox location?

19 A. That's correct.

20 Q. And you've notified all the offsetting
21 operators?

22 A. That's correct.

23 Q. In your opinion, will the approval of this
24 Application be in the interests of conservation, the
25 prevention of waste, and the protection of correlative

1 rights?

2 A. Yes, it will.

3 Q. Were Exhibits 1 through 12 prepared by you or
4 under your direction and supervision?

5 A. Yes, they were.

6 MR. VANDIVER: Mr. Examiner, I would move
7 admission of Applicant's Exhibits 1 through 12, and
8 that concludes my examination of Mr. Bullock.

9 EXAMINER CATANACH: Exhibits 1 through 12
10 will be admitted as evidence.

11 Mr. Kellahin?

12 CROSS-EXAMINATION

13 BY MR. KELLAHIN:

14 Q. Mr. Bullock, in response to the last question
15 from your attorney you said that approval of the
16 Application would protect correlative rights. What's
17 the basis for that opinion?

18 A. Well, we have, in our understanding, no
19 objectors to this location, and we have -- We're
20 slightly unorthodox, but we don't feel that we're
21 crowding anybody that closely.

22 We're also -- We went out and drilled the
23 only location that could be drilled, in our thinking.

24 Q. Any other reasons to support our opinion?

25 A. No.

1 MR. KELLAHIN: Nothing further.

2 EXAMINATION

3 BY EXAMINER CATANACH:

4 Q. Mr. Bullock, I just want to get -- The
5 offsetting interest owners I want to have straight.

6 Anadarko is the owner of the west half of
7 Section 26; is that correct?

8 A. Yes. You also have -- Let's see, no, I think
9 that's going to be Meridian, and Oryx in the west half.
10 In the east half --

11 Q. I'm sorry, east half I was talking about.

12 A. All right, east half is -- That's correct,
13 Anadarko and Meridian. In the west half it's Meridian
14 and Oryx Energy.

15 Q. Okay, in Section 25 we've got Manzano as the
16 operator of the southwest quarter?

17 A. That's correct.

18 Q. Okay, Section 36 you get Union or who? Who
19 might that be in Section 36?

20 A. Yes, Union of California.

21 Q. Okay. And that's the entire west half of
22 that section?

23 A. No, I believe we have Texaco in there --

24 Q. Okay.

25 A. -- also.

1 Q. And -- What's the south half of 35?

2 A. That's Yates Petroleum Corporation.

3 Q. Okay. Now, do you know where Fina's acreage
4 lies in this area?

5 A. I believe it's Section 34, the north half and
6 the southwest quarter.

7 EXAMINER CATANACH: Okay.

8 (Off the record)

9 Q. (By Examiner Catanach) Mr. Bullock, this
10 lease consists of just this -- No, it's more than this
11 north half. Is it the whole section?

12 A. The whole section.

13 Q. Okay, and there are not any other wells
14 drilled in this section --

15 A. That's correct.

16 Q. -- that would have held the lease or -- Okay,
17 this was the first well?

18 A. That's correct.

19 Q. Is it possible at all to get a drilling
20 extension on a lease from the feds?

21 A. I believe it is.

22 Q. It is?

23 A. Yes.

24 Q. But Yates did not attempt to do that?

25 A. We did not attempt to do that.

1 Q. Mr. Bullock, do you know anything about the
2 geology within the north half of this section?

3 A. No, I really don't. Don't even want to talk
4 about geology.

5 Q. Okay. Do you know why Anadarko was unable to
6 drill the well?

7 A. No. They just -- Apparently it was a
8 management decision, and they chose not to do it.

9 Q. Now, it's your testimony that you believe
10 that you could not have drilled a well at a standard
11 location in Unit B?

12 A. That's correct.

13 Q. Due to topographic conditions?

14 A. Well, due to those pipelines being where they
15 are, coming through there, we thought that it would put
16 it -- the locations put the B right on top of it,
17 that's right.

18 Q. Okay, so the pipeline was the only
19 consideration?

20 A. That's right.

21 Q. On your Exhibit Number 11, is that -- There's
22 a small square with a dot in it. That is the actual
23 well location?

24 A. The pad itself. And the location of the dot
25 is the center.

1 Q. Okay, and the other three dots you have to
2 the west of there indicate --

3 A. The top one is the 660 --

4 Q. Okay.

5 A. -- the second is 800, and the other is the
6 990.

7 Q. Okay. Now, are the aqueducts actually
8 pipelines, water pipelines?

9 A. That's my understanding of it. They're
10 buried water pipelines.

11 Q. Does the BLM assert jurisdiction over whether
12 or not you can drill close to these pipelines, or would
13 that be some other agency or entity?

14 A. I'm not exactly sure who would control that.

15 Q. As far as you know, there would have not been
16 any archeological restrictions at a standard location
17 in Unit B?

18 A. Never did -- Having looked at that, no.

19 Q. I know you don't want to talk about geology,
20 but I'm just curious. It seems that by drilling the
21 location, it didn't make a whole lot of difference
22 geologically to Yates which location they drilled. Do
23 you have any knowledge as to that?

24 A. Well, they like Unit B, and I know that -- I
25 think he was thinking about a 660 north, 1980 west,

1 but --

2 Q. So 300 or so feet didn't make a lot of
3 difference as far as geologically?

4 A. I'm not going to say that. I don't know.

5 EXAMINER CATANACH: Okay, I have no further
6 questions of this witness.

7 MR. VANDIVER: May I redirect, Mr. Examiner?

8 EXAMINER CATANACH: Yes.

9 REDIRECT EXAMINATION

10 BY MR. VANDIVER:

11 Q. With regard to the Examiner's question, Mr.
12 Bullock, that you don't know whether or not there was
13 an orthodox location that could have been drilled, why
14 did you not pursue an orthodox location based upon --
15 at the time you found out Anadarko was not going to
16 drill the well?

17 A. Well, we thought we were down -- our time
18 frame was down so close, we didn't feel like we had
19 time to get a man out there and get him to arc it, get
20 new right-of-ways. We were working then at about a
21 two-week time frame.

22 Q. Could you have gotten an application for -- a
23 permit to drill -- approved without an archeological
24 study for a different location?

25 A. No, no.

1 MR. VANDIVER: Mr. Examiner, with regard to
2 your questions about suspension of drilling, I would
3 refer you to 43 CFR, Section 3103, which provides for
4 suspension of operation -- the operating and producing
5 requirements of federal oil and gas leases in the
6 interest of conservation.

7 These are routinely given in the oil-potash
8 area by the Bureau of Land Management and in wilderness
9 areas, wilderness-study areas and that sort of thing.

10 And as to whether or not they would grant it
11 in this case, they had an application for a permit to
12 drill approved at that time. Or at least they had
13 processed it.

14 And an application for a permit to drill has
15 to be turned down before you can get a suspension of
16 operating and producing requirements of a federal lease
17 under the regulations.

18 And so I don't believe that suspension of
19 operations and production was available in this
20 circumstance, because they were working towards
21 approval, and it was going to be approved before the
22 expiration of the primary term.

23 And that avenue is not available unless the
24 Application is turned down in the interest of
25 conservation of natural resources.

1 And I would refer you to that section of the
2 federal regulations.

3 EXAMINER CATANACH: What is that section
4 again, Mr. Vandiver?

5 MR. VANDIVER: It's 41 -- It's 43 CFR,
6 Section 3103, and it's -- there's a lot -- I don't know
7 which particular subsection it's contained in. That
8 encompasses a lot of...

9 And I would be happy to send it to you, and I
10 would be happy to send you cases by the Interior Board
11 of Land Appeals dealing with the question if you would
12 be interested.

13 EXAMINER CATANACH: That CFR is not included
14 in your exhibits?

15 MR. VANDIVER: No, sir.

16 EXAMINER CATANACH: Okay, if you could
17 just --

18 MR. VANDIVER: Okay.

19 EXAMINER CATANACH: -- maybe send me the
20 CFR --

21 MR. VANDIVER: Sure will.

22 EXAMINER CATANACH: -- that would be
23 adequate.

24 Anything further in this case?

25 If not, Case 9964 will be taken under

1 advisement.

2 (Thereupon, these proceedings were concluded
3 at 2:26 p.m.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

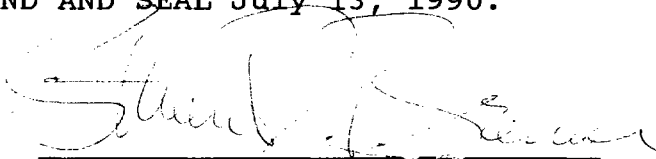
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, 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 transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

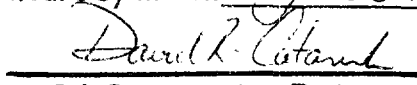
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 13, 1990.


 STEVEN T. BRENNER
 CSR No. 106

My commission expires: October 14, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9264, heard by me on June 27, 1990.


 , Examiner
 Oil Conservation Division