

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

9 August 1989

EXAMINER HEARING

IN THE MATTER OF:

Application of Nassau Resources for compulsory pooling, Rio Arriba County, New Mexico. CASE 9717

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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1 MR. STOGNER: Call next Case
2 9717.

3 MR. STOVALL: Application of
4 Nassau Resources for compulsory pooling, Rio Arriba County,
5 New Mexico.

6 MR. STOGNER: Call for appear-
7 ances.

8 MS. AUBREY: Karen Aubrey of
9 the Santa Fe firm of Kellahin, Kellahin & Aubrey, appearing
10 for the applicant.

11 I have two witnesses to be
12 sworn.

13 MR. STOGNER: Are there any
14 other appearances in this matter?

15 Will the witnesses please
16 stand to be sworn?

17
18 (Witnesses sworn.)

19
20 KENT CRAIG,
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 MS. AUBREY:

3 Q Would you state your name and your place
4 of employment for the record?5 A Yes. My name is Kent Craig and I'm the
6 land manager for Jerome P. McHugh and Nassau Resources,
7 which is an affiliate of McHugh.8 Q Mr. Craig, have you testified previously
9 before the New Mexico Oil Conservation Division?

10 A I have.

11 Q And are you familiar with the applica-
12 tion of Nassau Resources in Case 9717?

13 A Yes, ma'am.

14 MS. AUBREY: Mr. Examiner, I
15 tender Mr. Craig as an expert in petroleum land titles.16 MS. STOGNER: Mr. Craig is so
17 qualified.18 Q Mr. Craig, would you briefly state what
19 Nassau Resources seeks to accomplish by its application?20 A Yes. We plan to drill a Fruitland coal
21 well in the east half of Section 15, that's our designated
22 unit, of Township 32 North, 4 West, and 5/8ths of that east
23 half of 15, as noted on Exhibit Number Two, is owned by
24 Kindermac Partners, which is our company, and then we have
25 80 percent of 120 acres, which is also leased by Kindermac

1 Partners, and 20 percent of it is unleased and we are not
2 able to obtain leases as to that 20 percent.

3 Q And what does that -- what working in-
4 terest does that 20 percent represent out of the proration
5 unit?

6 A That would constitute 7.5 percent of the
7 unit.

8 Q When did you first start negotiating
9 with the working interest owners in order to obtain a vol-
10 untary participation in this unit?

11 A Well, as far as mineral owners versus
12 working interest owners, we first contacted them in the
13 spring of 1987 and have been in touch with them since on a
14 continuous basis.

15 Q Let me have you look now at what is
16 marked as Nassau Exhibit Number One.

17 A Right.

18 Q That's an exhibit with a number of
19 pages. Can you tell the Examiner what that represents?

20 A Yes, ma'am. Page 1, as you see, is a
21 certified letter dated July the 5th of 1989 to, specifi-
22 cally, Joe Martinez, Jr. and Demetrio Martinez. and then
23 two pages below that you'll note we sent an original
24 letter dated June the 29th to Edward Gallegos, Jr., Joe
25 Martinez, and Demetrio.

Q Now these documents that you just refer-
re dated June 29th, 1989, is that right?

Q But you have had contact over approxi-
the last two years with these people?

The next thing below there is a letter to her mother, Sophia Martinez, and again it was sent her a copy of the AFE and then a letter to join the unit and a lease along with a photograph as Exhibit Number Two, showing where she lived well, and again we asked Mrs. Martinez

The last part of Exhibit Number One, are

1 leases that we obtained from Edward Gallegos, Ms. Payne,
2 Mr. Lanier, Ms. Troxell, and Ms. Madrid.

3 Initially, when we started trying to
4 lease these unleased minerals, we had eight mineral owners
5 which would not lease. As you can see from the attached,
6 five of them have elected to lease. The Martinez have
7 elected not to, the three Martinez.

8 Q What's been your most recent contact
9 with the Martinez?

10 A I called Mrs. Martinez, Sophia Martinez,
11 last Friday to remind her of the hearing today and to ask
12 her again if they had any questions with respect to the
13 lease or the AFE or had they decided anything, and she said
14 we're just not interested.

15 Q Let me have you look at the AFE which
16 you submitted. What's the date on that AFE, or can you
17 tell me approximately when it was prepared?

18 A Yeah. We prepared it around the middle
19 of June this year, 1989.

20 Q And is it Nassau Resources' position
21 that this is, as far as you know, an accurate and current
22 AFE for the proposed well?

23 A Yes, ma'am.

24 Q Let me have you look now at Exhibit
25 Number Two, which is an area map.

1 A Okay.

2 Q Can you explain for the Examiner what
3 the area outlined in yellow is?

4 A Yes. This entire area, Mr. Stogner, is
5 -- shows the east half of our Federal exploratory unit, and
6 we're right on the Colorado/New Mexico state line, right
7 east of Navajo Reservoir. That's where our unit is lo-
8 cated.

9 The east half of 15, which -- the blue
10 part of 15, shows Dalport Oil Corporation. That's actually
11 McHugh. We bought that lease about a month and a half ago.
12 And then the east half of the northeast and the
13 northeast/southeast, which is the 120 acres I have colored
14 in yellow, are the lands that are covered by the Martinez,
15 et al, proposed leases.

16 To the east, in the northwest northwest
17 of Section 14, is one of our original unit wells called the
18 Carracas Mesa 14-1. That well is currently shutin. We
19 think it's a producer but we're waiting for the Forest Ser-
20 vice to grant us access to lay a pipeline there.

21 To the west, in Section 16, you'll note
22 in the northwest/southwest the Carracas 16-B No. 12. That
23 is the closest producer we have to the location and we
24 hooked that well up approximately two weeks ago and it's
25 making between, I think, 60 and 80 MCF a day out of the

1 Fruitland coal.

2 Q How far away is that well from your
3 proposed location?

4 A It's a mile and three-quarters, roughly.

5 Q And is that the closest producing well
6 in the Fruitland coal to your proposed location?

7 A Yes, ma'am, it is.

8 Q Mr. Craig, do you have your proposed
9 well on your drilling schedule at this time?

10 A We do. We're in hopes of commencing
11 this well within the next 3-1/2 weeks. We have a drilling
12 rig on location in 32-5, and then we have one other well to
13 drill and then we hope to drill this well next. It would
14 be about 3 weeks away, 3-1/2 weeks away.

15 Q Mr. Craig, were Exhibits One and Two
16 either prepared by you or under your supervision and
17 direction?

18 A Yes, they were.

19 MS. AUBREY: Mr. Stogner, I
20 tender Exhibits One and Two and what I've marked as Exhibit
21 Four, which is the original and copies of the certificate
22 of mailing in compliance with Order R-8054 sent out by our
23 office.

24 MR. STOVALL: Ms. Aubrey, you
25 have another witness? Is that witness going more into the

1 cost factors including the AFE and overhead cost and that
2 sort of thing.

3 MS. AUBREY: Yes, Mr. Stovall.

4 MR. STOVALL: Okay.

5 MR. STOGNER: Exhibits One,
6 Two and Four will be admitted into evidence at this time.

7 MS. AUBREY: I have no further
8 questions of the witness.

9

10 CROSS EXAMINATION

11 BY MR. STOGNER:

12 Q Mr. Craig, you mentioned that you've
13 been about a year and a half trying to get this all this
14 together?

15 A Two years.

16 Q Two years.

17 A Yes.

18 Q Now that was -- was that time taken into
19 getting a unit agreement also?

20 A No, actually our unit agreement started
21 in October of 1986, so that's been almost three years.

22 Q Okay, so essentially two years you've
23 been working just on this proration unit.

24 A This unit, as well as the unit in Sec-
25 tion 10, which is immediately north of here, that's cor-

1 rect.

2 Q Okay. Now you said that you had bought
3 a lease from Dalport --

4 A Correct.

5 Q -- a month and a half ago.

6 A Right.

7 Q And who is the lessee of record on that
8 yellow portion?

9 A That is Kindermac Partners, which is our
10 company.

11 Q And Kindermac has had that tract for how
12 long?

13 A We've had that -- the very first lease
14 we took in there was in the spring of 1987 from a gentleman
15 named Albert Gallegos, which is Edward Gallegos brother.

16 Q And the Martinez' property is all in the
17 yellow portion, is that right?

18 A That is correct. That's all fee. The
19 portion, Mr. Stogner, in blue is Federal, minerals and sur-
20 face.

21 Q And the people that had signed the --
22 the -- let's see, five out of the eight have signed, right?

23 A Correct.

24 Q And the five that have signed, are they
25 in the blue portion or the yellow portion?

1 A They're yellow. Everything concerning
2 this forced pooling is yellow.

3 Q Okay. Now the Martinez family, is that
4 a divided interest or an undivided interest?

5 A No, it's a totally -- the entire 120
6 acres is undivided interest.

7 Q Undivided, okay, along with the -- so 9
8 of these mineral interests have the undivided interest.

9 A That's correct, right.

10 Q Did Mrs. Martinez say why she wouldn't
11 sign it?

12 A The only thing that she (unclear) to was
13 her son, who was there at the time when I talked to her
14 Friday, and he said, A, they weren't interested in being --
15 he said we've always wanted to change this from an undivid-
16 ed to a divided interest.

17 And I said, "Mr. Martinez, that's fine,
18 but you're going to have to do that with the other eight
19 people involved in here and that's not -- we -- we have no
20 legal right or authority to -- to do that."

21 And he said, "We just want to know what
22 1.8 or 1.7 acres we own.

23 And I said, "Well, right now you own an
24 undivided interest under the whole 120." And I said, "If
25 you want to change that, you need to get your -- the whole

1 gang together and you all decide who has this 1.8 acres and
2 who has that 1.8."

3 But I said, "Irrespective, that won't
4 affect our lease at this time because it still shows an
5 undivided interest."

6 And he said, "We just don't want --
7 we're just not interested in leasing."

8 I said, "Okay."

9 Q How long has the Martinez family had
10 this --

11 A They received their interest through,
12 actually, Sophia's brother, whose name is Felipe, and he
13 got it back in the fifties. They've had it a long time.
14 All the remaining people here that we did lease, the Laurel
15 E. Payne, Edward Gallegos, they're all related. They're
16 either cousins or second cousins. And Felipe died. He was
17 never married, he was never -- and he didn't have any
18 children and it all went to his brothers and sisters.
19 Sophia is his sister. Demetrio and Joe are his nephews and
20 it goes on down from there.

21 Q Okay.

22 MR. STOGNER: Well, I have no
23 other questions of Mr. Craig.

24 Any other questions of this
25 witness? He may be excused.

1 Ms. Aubrey?

2 MR. AUBREY: Thank you.

3
4 GARY J. JOHNSON,

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

7
8 DIRECT EXAMINATION

9 BY MS. AUBREY:

10 Q Would you state your name for the
11 record, please?

12 A My name is Gary J. Johnson.

13 Q Mr. Johnson, where are you employed?

14 A I'm employed by Nassau Resources, In-
15 corporated in Denver.

16 Q And what do you do for Nassau Resources?

17 A I'm a petroleum engineer.

18 Q Have you testified previously before the
19 New Mexico Oil Conservation Division?

20 A Yes.

21 Q And are you familiar with the applica-
22 tion of Nassau Resources in Case 9717?

23 A Yes.

24 MS. AUBREY: Mr. Examiner, I
25 tender Mr. Johnson as an expert in petroleum engineering.

1 MR. STOGNER: Mr. Johnson is
2 so qualified.

3 Q Mr. Johnson, let me have you look first
4 at the AFE which is a portion of Exhibit One which Mr.
5 Craig has talked about. Did you prepare that AFE?

6 A Yes, I did.

7 Q Will you review that briefly for the
8 Examiner?

9 A Okay. This Authority for Expenditure is
10 based on actual costs that we have incurred in like wells
11 that we have drilled in the Carracas Unit over the past,
12 approximately, a year, year and a half, and this covers all
13 of the tangible and intangible costs for drilling and com-
14 pleting a well that we propose at the location in Section
15 15.

16 Q Mr. Johnson, in your opinion is this AFE
17 a fair and reasonable one for a well of this depth in this
18 location?

19 A Yes, it is.

20 Q This AFE has been submitted to those
21 mineral owners who have not leased or otherwise joined the
22 proposed unit, is that correct?

23 A That's correct.

24 Q Has this AFE been accepted by the other
25 mineral owners which Mr. Craig referred to?

1 A Yes. As far as I know, the other
2 people, all of the other people that had the AFE submit-
3 ted to them as working interest owners have accepted that
4 AFE and signed it.

5 Q In its application Nassau Resources has
6 asked for a 200 percent risk penalty factor. Can you give
7 the Examiner your justification for that request?

8 A Yes. We've -- we've drilled a number of
9 wells in the Carracas Unit and have found that the risk
10 that we encounter in here is not whether we will encounter
11 the Fruitland coal or not, because we feel like we will
12 encounter the Fruitland -- Fruitland coal. The risk is in
13 the producability of the well. We have drilled, as you can
14 see on Exhibit Three, a number of wells in the unit. I've
15 outlined on there the well number and the net feet of coal,
16 and we have wells that have the exact same net feet of coal
17 that have very much differing producabilities. And so what
18 we feel the risk of this well is, is that we might drill a
19 well and encounter the coal and have a well that is not a
20 real good producer, and therefore would be not real econo-
21 mic.

22 Q In your expert opinion you feel that
23 there is a substantial risk of obtaining commercial produc-
24 tion in this well, is that right?

25 A At this time, that's correct.

1 Q And your proposed location is shown by
2 the diamond, is that correct?

3 A A triangle.

4 Q Triangle, I'm sorry, triangle in Sec-
5 tion 15?

6 A Correct.

7 Q And the closest producing wells are
8 shown on Exhibit Number 3, is that correct?

9 A That's correct.

10 Q Mr. Johnson, what rate for overhead
11 while drilling and producing are you asking the Examiner to
12 (unclear)?

13 A In our operating agreement that we sent
14 out on all of the wells in the unit we've asked for \$3500
15 drilling well rate and \$350 per month producing well rate.

16 Q And what do you estimate the operation
17 cost of this well would be?

18 A Our experience now has shown us that
19 initially the operating costs on these wells are quite
20 high, even approaching the magnitude of \$4800 a month, but
21 as the wells mature and the coal fines quit moving, the
22 operating costs appear to drop and we're estimating that
23 over the life of the well they should probably average in
24 the neighborhood of \$1800 a month.

25 Q In your opinion are the drilling and

1 producing overhead rates that you're requesting approval of
2 fair and reasonable?

3 A Yes.

4 Q Mr. Johnson, did you prepare Exhibit
5 Number Three?

6 A Yes.

7 MR. AUBREY: Mr. Examiner, I
8 tender Exhibit Number Three and I have no more questions of
9 the witness.

10 MR. STOGNER: Exhibit Number
11 Three will be admitted into evidence at this time.

12

13

CROSS EXAMINATION

14 BY MR. STOGNER:

15 Q Mr. Johnson, let's refer to Exhibit Num-
16 ber Three here.

17 A Okay.

18 Q And you show quite a few wells on here.

19 A That's correct.

20 Q The gas wells that are shown on here,
21 are they to be taken as coal gas wells?

22 A Yes. All of the wells that are shown by
23 the standard gas well symbol are wells that we have drilled
24 through the Fruitland coal that are -- have either com-
25 pleted or they're in the process of being completed in the

1 Fruitland coal.

2 Q Okay, now when you say that are being --
3 or being in the process of becoming coal gas wells, has the
4 producability of those wells been determined yet?

5 A Not all of them. We have some wells
6 that we have drilled and set pipe on that we've not fraced
7 or, you know, put on production yet. We're still in the
8 process of completing and producing these, or getting these
9 wells ready for production.

10 Q Okay. Now you alluded back to, in your
11 200 percent risk penalty, the producability of the well.
12 Could you be a little more specific on what you mean by the
13 producability of a well? Are we looking at amount of pro-
14 duction or it's ability to dewater? What actually were you
15 talking about?

16 A Well, what I was referring to is the
17 wells' producability of natural gas, the volume and daily
18 -- daily volume in MCF of natural gas. There seems to be a
19 correlation with water but since we don't sell water, it's
20 a liability more than a -- than an asset.

21 We have wells, just to give you a for
22 instance, if you'll look in Section 18 of 32, 4, we have
23 two wells drilled and completed and producing in Section
24 18.

25 The 18 B-15 with 22 feet of net coal

1 produces in the order of 175 MCF per day.

2 The 18 B-13, with 24 feet of coal, pro-
3 duces in the neighborhood of 70 MCF per day.

4 So there's a significant difference even
5 from the same -- nearly the same net feet of pay.

6 Q Would you call the one, the No. 13, is
7 that producability adequate?

8 A Well, right now it probably isn't but we
9 have evidence from other coal wells that these will improve
10 over their life and we've hoping that that's the case with
11 this well.

12 Q Is there any wells in which you've
13 drilled out here in the Carracas Unit that is not produc-
14 ing in the coal?

15 A No, they all produce gas in differing
16 volumes. It's a little early in the life of the whole re-
17 servoir to determine if there's any of them that would be
18 totally noncommercial over the life, but there are some
19 that are producing at very low rates right now that, if
20 they don't improve over their life, they will be noncommer-
21 cial.

22 Q How many of them do you think there are?

23 A We've only got about, let's see, 15
24 wells on production. I would say about 10 of those are be-
25 low commercial rates right now.

1 Q Okay, let's look at the wells immediate-
2 ly around Section 15. The one to the east in Section 14 is
3 the 14-1?

4 A Right.

5 Q How is that well doing?

6 A We haven't got that well tied into a
7 pipeline yet. It should be tied into a pipeline soon and
8 we'll have it on test.

9 The initial tests on that well are bas-
10 ically inconclusive, I would say, because we haven't been
11 able to test it long enough to justify any initial rates or
12 anything.

13 Q Okay, how about over in Section 16 --

14 A Okay, the --

15 Q -- 16 B-6, No. 6 and No. 12.

16 A Right, the 16 B-6 was put on production
17 the last few days of July and its current rate is approxi-
18 mately 70 MCF per day.

19 The 16 B-12 was put on production in May
20 and it's also producing about 70 MCF per day.

21 Q So all the wells in which Nassau has
22 drilled and plans to produce from the coal is essentially
23 completed at this time, is that correct, or has been com-
24 pleted?

25 A Would you repeat that question?

1 Q Yeah, let me repeat that. Of all the
2 wells in the Carracas Canon Unit Area that you propose to
3 have producing from the coal gas wells have had production
4 casing ran and in the process of either producing or wait-
5 ing for a gas line hookup, is that correct?

6 A That's correct. We -- we have some of
7 the wells that we have gas lines into that we just haven't
8 got them fraced yet and brought them on production. Our
9 normal schedule out here is to drill the wells, try to get
10 the gas line completed to them and set up the producing
11 equipment, frac the well, and bring it immediately on, as
12 quickly as we can, onto line to keep it producing. Our
13 experience has been that if you frac a well and then leave
14 it shut in for a period of time, that the producability may
15 be damaged.

16 Q Now off this map to the north is, of
17 course, Colorado. Do you have any information or any know-
18 ledge of any wells, oh, within about two miles of this
19 particular well in the Colorado side that are producing or
20 completed at this point?

21 A There -- there are none within a 2-mile
22 strip of -- north of here. There has been some wells
23 drilled that penetrated the Fruitland coal but they were
24 never completed in the Fruitland coal.

25 Q Has there been any unusual problems or

1 situations encountered in drilling these coal gas wells in
2 this area?

3 A The 14-1, we ran into a pretty severe
4 deviation problem in that well with the deviations in the
5 well approaching 10 degrees, and that well was extremely
6 expensive because of the time it took to straighten the
7 hole back out and the slow drilling trying to keep it
8 straight. We finally had to bring in directional drilling
9 tools and straighten that well back out.

10 We did drill that well to the Dakota
11 formation initially, as a Dakota test, and then completed
12 it in the Fruitland, or are completing it in the Fruitland,
13 but we did have some pretty severe deviation problems in
14 that well.

15 Q Were these deviation problems above the
16 coal or below the coal?

17 A They started right out from under sur-
18 face pipe.

19 Q Did you encounter any other problems
20 with your wells back to the west of this magnitude?

21 A No, we didn't. The wells back to the
22 west seem to be on a -- in an area geologically where the
23 coals and the other formations lie flat. Somewhere in the
24 neighborhood of the 15-7, our proposed location, is there
25 the formations start to incline to the northeast. We don't

1 know exactly where that is. So there is some risk in the
2 15-7 that it also will be a well that we might have to
3 control deviation in.

4 Q Now, you -- you testified and requested
5 200 percent risk penalty factor. Let's look at this risk.
6 What is your definition, or what do you think we should
7 look at assigning a risk in a particular well?

8 A I guess normally a person would look at
9 the risk of whether you would encounter a pay zone or not.
10 In a coal well I think the risk is whether the well will
11 produce in commercial quantities throughout its life and
12 that the producable reserves will be economic. I think
13 that, in my estimation, that's what a person should look at
14 in evaluating risk on a coal well, is whether the wells
15 will produce in commercial quantities and whether they will
16 recover a commercial amount of reserves over their life.

17 Q So a risk in a coal well and a risk in
18 a conventional gas well, are you telling me should be two
19 different -- two different situations or looked at two
20 different ways?

21 A Well, I -- in my opinion they would be.
22 Geologically, with the coal well, it's not a matter of
23 whether the coal will be here as it would be, say, in a
24 Mesaverde well, whether you would encounter Mesaverde
25 formation or, you know, whether the porosity would be

1 there. The coal is going to be here. We just don't know
2 what the producability is going to be until you're even
3 maybe two years into the life of the well, because you have
4 to pump the water off of them and, you know, these coal
5 wells have, we hope, an increasing decline curve for at
6 least a couple of years.

7 Q On either a conventional well or a coal
8 gas well should the risk involved in the actual drilling
9 operations of a well be -- be considered?

10 A Well, I think so. That's -- that's
11 where the majority of your costs come in, is in your
12 drilling and completion. Once you -- once you've got the
13 well drilled and completed normal operations are pretty
14 much as they are in any well.

15 Q With the danger still existing, though,
16 in your case, severe deviation, blowouts, lost circulation
17 --

18 A Yeah, we have --

19 Q -- any number of things.

20 A Yeah, we have all of those things out
21 here.

22 Q Okay. Overhead charges of 3500 drilling
23 and 350 producing, is that correct?

24 A That's correct.

25 MR. STOGNER: Are there any

1 other questions of this witness?

2 MR. STOVALL: May I just
3 follow this line of questioning a little bit further on the
4 risk factor?

5

6

CROSS EXAMINATION

7

BY MR. STOVALL:

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Q Are you familiar with operations further
to the west in the Fruitland Coal area by other operators?

A Somewhat. I would profess to be an ex-
pert on their operations.

Q Do you have any sense, or feel, as to
whether your operations out here are significantly differ-
ent or substantially the same in terms of these factors
that you're considering as risk factors as compared to the
more westerly wells?

A If you look at wells that are in a nor-
mal pressure regime, like we feel we're in, we're probably
the same.

If you look at the well in the overpres-
sured regime, for instance, the Meridian 400 Field Area, we
have a different, you know, a whole different problem.
Where they're overpressured and they have a pretty severe
danger of blowout, of losing a well to, you know, blowout
conditions, their -- their risk is probably greater for

1 that.

2 But, on the other side of that, with an
3 overpressured reservoir, their chances of getting a com-
4 mercial well are probably 100 times better than ours are
5 because of the overpressure, and just the nature of the way
6 their wells IP and the reserves that they get.

7 Typically our wells are IPing at around
8 60 to 70 MCF per day, whereas a well in the Meridian 400
9 Field is probably approaching a million to 2-million feet a
10 day.

11 Q Where is the Meridian 400 Field, appro-
12 ximately? Do you know?

13 A It's in 30 -- 30 North, 6 West, I be-
14 lieve.

15

16 RECROSS EXAMINATION

17 BY MR. STOGNER:

18 Q You said the initial potential of 60 to
19 70 is what we're seeing out there. For one of these wells
20 to be economical what will the production have to build up
21 to?

22 A Well, I think from the calculations that
23 I have made, that a well will be commercial if it will pro-
24 duce at 100 to 120 MCF per day, and will produce for about
25 20 years.

1 Q Is the tax credit that a coal gas well
2 gets included in these figures?

3 A No. No, the tax credit is why you can
4 stand the 60 or 70 for a little while while you're waiting
5 for them to improve.

6

7

RECROSS EXAMINATION

8

BY MR. STOVALL:

9 Q I do have one question on an exhibit
10 just to -- just to make sure there.

11 It appears you're relying on the AFE
12 that's in Exhibit One, is that correct?

13 A That's correct.

14 Q And there appear to be multiple copies
15 of it in the Exhibit One I've got, apparently sent to
16 different people.

17 Are they, to your knowledge, all the
18 same with the exception of the identification of the in-
19 terest owner and his share of the --

20 A As far as I know they're all exactly the
21 same.

22 Q So it doesn't matter which one we refer
23 to?

24 A No.

25

MR. STOVALL: I have no other

1 questions.

2 Are there other questions of
3 Mr. Johnson?

4 MS. AUBREY: I have no more
5 questions.

6 MR. STOGNER: He may be
7 excused.

8 Anything further, Ms. Aubrey?

9 MS. AUBREY: No.

10 MR. STOGNER: Does anybody
11 else have anything further in Case Number 9717?

12 This case will be taken under
13 advisement.

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15 (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 that 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. 9717.
heard by me on 9 August 19 89.
Michael E. Stegner, Examiner
Oil Conservation Division