

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico  
31 October 1979

EXAMINER HEARING

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IN THE MATTER OF:	)	
	)	
	)	
Application of Gulf Oil Corporation	)	CASE
for a unit agreement, San Juan, County,	)	6707
New Mexico.	)	
	)	

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BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87503

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

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MR. SWINERTS: The hearing will please come to order.

We will call first Case 6707.

MR. BASTIAN: Application of Gulf Oil Corporation for unit agreement, San Juan County, New Mexico.

MR. SWINERTS: The Division has received a request that this case be continued to November the 14th, and it will be so continued.

(Hearing concluded.)

**SALLY WALTON BOYD**  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, Certified Shorthand Reporter,  
DO HEREBY CERTIFY that the foregoing and attached Transcript  
of Hearing before the Oil Conservation Division 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 from my notes taken at the time of the hearing.

\_\_\_\_\_  
Sally W. Boyd, C.S.R.

\_\_\_\_\_  
, Examiner  
Oil Conservation Division

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
14 November 1979

EXAMINER HEARING

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	)	
IN THE MATTER OF:	)	
	)	
Application of Gulf Oil Corporation for	)	CASE
a unit agreement, San Juan County, New	)	6707
Mexico.	)	
	)	

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BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87503

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
8020 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

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MR. NUTTER: Call now Case Number 6707.

MR. PADILLA: Application of Gulf Oil Corporation for a unit agreement, San Juan County, New Mexico.

MR. NUTTER: The applicant has requested continuance in this case.

Case Number 6707 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 o'clock a. m., November 28th, 1979.

(Hearing concluded.)

**SALLY WALTON BOYD**  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

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REPORTER CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,  
DO HEREBY CERTIFY that the foregoing and attached Transcript  
of Hearing before the Oil Conservation Division 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 from my notes taken at the time of the hearing.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

\_\_\_\_\_  
Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is  
a true and correct copy of the original  
filed in my office on 11/14 6707  
79  
\_\_\_\_\_  
Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
28 November 1979

EXAMINER HEARING

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IN THE MATTER OF:	)	
	)	
	)	
Application of Gulf Oil Corporation	)	CASE
for a unit agreement, San Juan County,	)	6707
New Mexico.	)	
	)	

-----

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Ernest L. Padilla, Esq.
Division:	Legal Counsel for the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:	William F. Carr, Esq.
	CAMPBELL & BLACK P. A.
	Jefferson Place
	Santa Fe, New Mexico 87501

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

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I N D E X

CHESLEY T. BLACKAM

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DANIEL B. KOWERT

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SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2482  
Santa Fe, New Mexico 87501

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MR. STAMETS: We'll call next Case 6707.

MR. PADILLA: Application of Gulf Oil Corporation for a unit agreement, San Juan County, New Mexico.

MR. STAMETS: Call for appearances.

MR. CARR: May it please the Examiner, I am William F. Carr, Campbell and Black P. A., Santa Fe, appearing on behalf of the applicant. I have two witnesses who need to be sworn.

MR. STAMETS: I'd like to have them stand and be sworn at this time, please.

(Witnesses sworn.)

CHESLEY T. BLACKAM

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Will you state your name and place of residence, please?

A. My name is Chesley T. Blackam and I reside in Midland, Texas.

Q. Mr. Blackam, by whom are you employed and in what capacity?

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3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

1           A.        I'm employed by Gulf Oil Corporation as  
2 Senior Land Agent.

3           Q.        And your title is Senior Land Agent?

4           A.        Yes.

5           Q.        Have you previously testified before this  
6 Commission, had your credentials accepted and made a matter  
7 of record?

8           A.        Yes, I have.

9           Q.        Are you familiar with the application filed  
10 by Gulf in this case?

11          A.        Yes, I am.

12                   MR. CARR: Are the witness' qualifications  
13 acceptable?

14                   MR. STAMETS: They are.

15          Q.        Mr. Blackam, what is Gulf seeking to ac-  
16 complish with this application?

17          A.        Approval of the exploratory unit, the  
18 Southeast Bisti Unit agreement.

19          Q.        Have you prepared or has there been pre-  
20 pared under your direction and supervision certain exhibits  
21 for introduction in this case?

22          A.        Yes, there have.

23          Q.        Will you please refer to what has been  
24 marked for identification as Exhibit Number One and explain  
25 to the Examiner what it is and what it shows?

**SALLY WALTON BOYD**  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (605) 471-2462  
Santa Fe, New Mexico 87501

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CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

1           A.           Yes, I will. Page number one of Exhibit  
2 Number One sets out the unit area description and also the  
3 number of acres of Federal acreage, State acreage, and  
4 Indian allotted leases that are included in the unit area.

5                       The next three pages of Exhibit Number One  
6 is a copy of Exhibit B that will be attached to the unit  
7 agreement, showing in addition to the description and serial  
8 numbers and the other information, also the status of the  
9 lessee of record and working interest owners and overriding  
10 royalty interest owners that have not committed to the unit  
11 agreement.

12           Q.           Will you now refer to what has been marked  
13 for identification as Exhibit Number Two and identify this  
14 for the Examiner.

15                       MR. CARR: And, Mr. Examiner, Exhibit Num-  
16 ber Two is attached to Exhibit Number One.

17           A.           Exhibit Number Two is a unit agreement sub-  
18 mitted for your approval.

19           Q.           Will you now refer to Exhibit A which is  
20 attached to the unit agreement?

21           A.           Okay, Exhibit A is a plat of the unit area  
22 and it's showing the tracts as outlined, one through twenty-  
23 seven, with the tract numbers, the lease numbers, the number  
24 of acres in each tract, and whether it will be Federal, State,  
25 or Indian allotted leases.

1 Q Approximately how many acres are included  
2 within the unit area?

3 A 7,047.

4 Q And Exhibit A also includes a tabulation  
5 of the -- describing the unit area, is that correct?

6 A Yes, it is.

7 Q What percentage of the land within the unit  
8 area is State, Federal, or fee land?

9 A As shown on the plat of Exhibit A, appro-  
10 ximately 75 percent of the land is Federal land, 18.18 percent  
11 are State lands, and 6.82 are Indian allotted leases.

12 Q Will you now refer to what has been marked  
13 Exhibit B to Exhibit Number Two, and explain what this is  
14 and what it shows?

15 A Exhibit E is a schedule of lands and leases  
16 included within the unit area, showing the description, the  
17 acreage, serial number and expiration date, the basic royalty  
18 and percentages, the lessee of record, overriding royalty  
19 owners, and the working interest percentage, interest.

20 Q Now, have there been additional ratifica-  
21 tions of the unit agreement since this was prepared?

22 A Of the lessee of record, if we refer to  
23 Exhibit Three where I summarized the commitment to the unit,  
24 on the Federal acreage four of six lessee of record and  
25 working interest owners have ratified the agreement. There

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CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (605) 471-2462  
Santa Fe, New Mexico 87501

1 were two parties that indicated they did not wish to partici-  
2 pate by joining or farming out. Their acreage is listed there  
3 as being approximately 290 acres of total unit area of 5 per-  
4 cent.

5 Of the State acreage all of the lessees of  
6 record and working interest owners have ratified. I note  
7 that Chevron Oil Company has not actually sent in ratifica-  
8 tion but has signed an authority for expenditure, committing  
9 theirself to the unit, and has assured me that the ratifica-  
10 tion will come as soon as they can work it through their  
11 system.

12 The overriding royalty owners since this  
13 exhibit was prepared, I have been in contact with one other  
14 overriding royalty interest owner, his son, who asked me,  
15 wanted to know what his father was signing, and I explained  
16 it to him two days ago, and he's indicated they will sign  
17 that.

18 One of the other overriding royalty inter-  
19 est owners, the packet that I sent to him was returned, and  
20 we don't know where to send it.

21 And on the Indian allotted leases, Union  
22 Oil of California has indicated they did not want to join or  
23 farm out; however, I already had sent the copy of the unit  
24 agreement to the Indian allottees, so I have ratifications  
25 from those three, that was not on here at the time that this

1 prepared but I received them Monday.

2 Q. What is the total percentage of ratification  
3 that you've received of all the working interests in the  
4 unit?

5 A. The acreage, approximately 92 percent of  
6 the acreage is committed.

7 Q. And is this sufficient to afford effective  
8 control of the unit?

9 A. As my understanding goes, it is, yes.

10 Q. Has the form of this agreement been approved  
11 by the State Land Office as of this date?

12 A. Yes, it has, as we've shown by Exhibit  
13 Number Four, a copy of the letter from the State of New Mexico  
14 Commissioner of Public Lands, has approved it as of this date  
15 as to form and content and requested that we make some cor-  
16 rections, which we will do.

17 Q. Will you notify this Commission as soon as  
18 all the corrections are made in the unit agreement?

19 A. Yes, I will.

20 Q. Is the unit agreement in a form required by  
21 Federal regulations?

22 A. Yes, it is.

23 Q. And has the area been designated by the  
24 United States Geological Survey as an area logically suited  
25 for development under a unit plan of development?

1           A.           Under our first meeting with the USGS in  
2 Albuquerque, Mr. Kowert and I went to Albuquerque and pre-  
3 sented it to them and at that time they indicated that they  
4 approved of the unit area, and the formal written applica-  
5 tion was submitted to them the first part of September, and  
6 talking with the USGS prior to coming here, he indicated that  
7 they had passed on it in the Albuquerque office and had sent  
8 it forward to the Bureau of Indian Affairs for their approval.  
9 After receiving it back from them, they would send it to  
10 Denver, who would approve it the day that they received it.  
11 The last contact I had with them it was still to the Bureau  
12 of Indian Affairs for their approval.

13           Q.           As soon as you receive this formal approval  
14 will you forward a copy to the Oil Conservation Division?

15           A.           Yes, I will.

16           Q.           Mr. Blackam, does Gulf desire to be desig-  
17 nated the unit operator?

18           A.           Yes, sir.

19           Q.           And does Gulf have another witness who will  
20 testify as to geological considerations?

21           A.           Yes, sir.

22           Q.           In your opinion will the operation of this  
23 area under the proposed unit plan of operation be in the in-  
24 terest of conservation, the prevention of waste?

25           A.           Yes, it will.

1 Q In the event of production will the corre-  
2 lative rights of all parties to the unit agreement be pro-  
3 tected?

4 A Yes, sir, they will.

5 Q Were Exhibits One through Four either pre-  
6 pared by you or have you reviewed them and can you testify  
7 as to their accuracy?

8 A Yes, sir.

9 MR. CARR: At this time we would offer  
10 Gulf Oil Corporation Exhibits One through Four.

11 MR. STAMETS: These exhibits will be ad-  
12 mitted.

13 MR. CARR: I have nothing further on direct.

14  
15 CROSS EXAMINATION

16 BY MR. STAMETS:

17 Q Does the unit agreement provide for the  
18 Division approval of participating areas, changes of unit  
19 operator, and plans of development?

20 A I believe it does.

21 Q Gulf would have no objection to such a re-  
22 quirement?

23 A No, sir, they wouldn't.

24 Q Okay. Any other questions of this witness?

25 MR. PADILLA: I have one.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3030 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

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CROSS EXAMINATION

BY MR. PADILLA:

Q. Mr. Blackam, how long do you anticipate before you would have approval from the Bureau of Indian Affairs or do they have to give approval?

A. The day I talked to him, he didn't think it would be too much longer, but then they've had it for approximately two weeks, so I'm hoping it's not too much longer.

Q. Will you give notification of that approval to the Commission, as well?

A. Yes, I will.

MR. STAMETS: Any other questions of this witness? He may be excused.

MR. CARR: At this time I would call Daniel B. Kowert.

DANIEL B. KOWERT

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

DIRECT EXAMINATION

BY MR. CARR:

Q. Will you state your full name and place of residence?

**SALLY WALTON BOYD**  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

1 A Daniel B. Kowert, Midland, Texas.

2 Q Have you previously testified before this  
3 Commission and had your credentials accepted and made a matter  
4 of record?

5 A No, I have not.

6 Q Would you -- briefly would you review for  
7 the Examiner your educational background and your work exper-  
8 ience?

9 A I have a BS from Washington University in  
10 St. Louis, Missouri. I've been working for Gulf Oil Corpor-  
11 ation for twenty-seven years in the Texas/New Mexico district.

12 Q And what is your title with Gulf Oil?

13 A I'm a Senior Regional Geologist for the  
14 Western Region of Gulf Oil. That includes as a portion of  
15 my region the San Juan Basin.

16 Q Are you familiar with the application of  
17 Gulf Oil Corporation in this case?

18 A Yes, I am.

19 MR. CARR: Are the witness' qualifications  
20 acceptable?

21 MR. STAMETS: Mr. Kowert, what was your de-  
22 gree in?

23 A Geological engineering.

24 MR. STAMETS: And your twenty-seven years  
25 with Gulf, what sort of work have you been doing?

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2462  
Santa Fe, New Mexico 87501

1           A.           Geologist, Senior Geologist, Regional  
2 Geologist, exploration geology.

3                       MR. STAMETS: The witness is considered  
4 qualified.

5           Q           Mr. Kowert, have you prepared certain ex-  
6 hibits for introduction in this case?

7           A.           Yes, I have.

8           Q           Would you please refer to what has been  
9 marked for identification as Gulf's Exhibit Number Five and  
10 review this for the Examiner?

11           A.           Okay. This is a geological comments and  
12 prognosis for the well to be drilled on the Southeast Bisti  
13 Unit in San Juan County, New Mexico.

14                       Gulf Oil plans to drill a 6400-foot wildcat  
15 on the aforementioned 7047 acre Southeast Bisti Unit, and  
16 this well will penetrate the second Dakota sand, which is  
17 Lower Cretaceous age. We -- do you want me to go ahead with  
18 what the well is based on?

19           Q           Well, why don't you provide the Examiner  
20 with the location of the well?

21           A.           The well will be located 660 from the north  
22 line and 1980 from the west line of Section 3, Township 24  
23 North, Range 10 West, in San Juan County, New Mexico.

24           Q           This is projected to the second Dakota sand?

25           A.           Yes.

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CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

1 Q. And that's the primary objective of this  
2 unit?

3 A. Yes, it is.

4 Q. Mr. Kowert, would you refer to what has been  
5 marked for identification as Exhibit Number Six and review  
6 the data contained thereon for Mr. Stamets?

7 A. Okay. Exhibit Six is a structure map and  
8 overlay that includes the Dakota Isopach, Isopachous interval,  
9 of the second Dakota sand. Now, referring to the structure  
10 portion of the exhibit, the contours are on the Graneros in-  
11 terval and this an interval immediately above the Dakota  
12 Sand. This is -- shows the regional dip in the San Juan  
13 Basin.

14 If you would overlay the second Dakota  
15 Isopachous interval on the structural -- on the Graneros  
16 structure, you will see that the second Dakota Sand has in-  
17 tervals of sand that trend from northwest to southeast and  
18 on this -- on this exhibit the Dakota Sand -- the Dakota wells  
19 are shown with the blue dots; the producing -- most of these  
20 wells are producing but there are several wells that are  
21 not producing. Wells in Section 17 of 25 North, 10 West, is  
22 not a producing well. The well in the northwest corner --  
23 northwest quarter of 26 in 25 North, 11 WEST is not a pro-  
24 ducing well. The well in the southeast quarter of Section 5,  
25 24 North, 10 West is not a producing well, and the well that

1 is located in Section 26, that's in the southwest quarter of  
2 that section in Township 25 North, 10 West, is not a producing  
3 well.

4 There is also a well that has been plugged  
5 in the northeast quarter of Section 14, Township 25 North,  
6 10 West, so this is a plugged producer.

7 Now the reason I'm going through this is  
8 that Gulf feels that you have to have at least 20 feet of  
9 Isopach, of net Isopach interval in the Second Dakota Sand  
10 to produce, and I think this can be shown from this Isopach  
11 map, that the 20-foot contour outlines the producing areas  
12 up in the northwest corner and over in the northeast corner,  
13 also, of this plat.

14 Now we feel that the prospect area repre-  
15 sents a barrier island type of sand deposition, and that it  
16 is on trend with the producing area to the northwest.

17 Q Will you now refer to what has been marked  
18 for identification as Exhibit Number Seven and review the  
19 data contained thereon for Mr. Stamets?

20 A Yes. Exhibit Number Seven shows two cross  
21 sections that are also identified on the Exhibit Number Six  
22 by the dotted lines.

23 One, the upper cross section extends across  
24 the producing area in the northwest part of Exhibit Six.  
25 You can see it goes from a non-producing well to a well that

1 is producing, the Tenneco No. 2 Mountain View in Section 19,  
2 and then to a non-producing well again. The producing well  
3 has more than 20 feet of net Isopach interval on this -- with  
4 in the Second Dakota Sandstone.

5 All of these wells on the exhibit are  
6 neutron density logs. Now, to the south the cross section  
7 extends from a non-producing well -- well, there are actually  
8 two wells on this but both of these wells are non-producing,  
9 across the proposed area which we feel is on trend with the  
10 producing area to the northwest, to the Tenneco No. 1 Mountain  
11 View in Section 26 of Township 25 North, Range 10 West,  
12 which is a non-producing well. You can see that each of  
13 these non-producing wells has an Isopach interval that is  
14 less than 20 percent. We feel that between these two wells  
15 we have on trend an area where the sand will be more than  
16 20 feet. We feel this because of the trendology which these  
17 barrier -- I mean with the barrier island type of deposition  
18 that is known on the recent -- on the east coast of the  
19 country where these trends of sand extend for a fairly long  
20 distance.

21 Now, the trends of sand are broken in some  
22 intervals by surge channels, and if you will refer again to  
23 Exhibit Six you will see that there's a possibility of a  
24 surge channel extending from northeast to southwest from  
25 Section 20 in 25 North, 10 West, down towards Section 36 in

1 25 North, 11 West, and this would kind of be a break in the  
2 production, possibly. I mean there's no -- I mean there's  
3 no well evidence I could give you for that but we think that  
4 this is one reason for the break in production between the  
5 producing area and where our proposed unit is, but we do feel  
6 that the sand will pick up down in here to the southeast,  
7 and that we will have more than 20 feet of sand, of Isopach,  
8 net Isopach sand interval present over the proposed unit area.

9 I guess I could say that the unit area is  
10 set up so that it includes all half sections which have 50  
11 percent or more than 50 percent of that half section has 20  
12 feet or more net sand in the Second Dakota Sand interval.

13 Q Mr. Kowert, in your opinion will the oper-  
14 ation of this area under the proposed unit plan of operation  
15 be in the interests of conservation, the prevention of waste?

16 A I sure do.

17 Q In the event of production will the corre-  
18 lative rights of all parties to the unit agreement be pro-  
19 tected?

20 A Yes.

21 Q Were Exhibits Five, Six, and Seven prepared  
22 by you?

23 A Yes, they were.

24 MR. CARR: At this time, Mr. Examiner, we  
25 would offer into evidence Gulf Oil Corporation's Exhibits

1 Five through Seven.

2 MR. STAMETS: These exhibits will be ad-  
3 mitted.

4 MR. CARR: I have nothing further on direct.

5 MR. STAMETS: Are there any questions of  
6 this witness? He may be excused.

7 Anything further in this case?

8 MR. CARR: I have nothing further.

9 MR. STAMETS: The case will be taken under  
10 advisement.

11  
12 (Hearing concluded.)

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SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (606) 471-2462  
Santa Fe, New Mexico 87501

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Certified Shorthand Reporter,  
DO HEREBY CERTIFY that the foregoing and attached Transcript  
of Hearing before the Oil Conservation Division 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 from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.  
Sally W. Boyd, C.S.R.

SALLY WALTON BOYD  
CERTIFIED SHORTHAND REPORTER  
3020 Plaza Blanca (505) 471-2482  
Santa Fe, New Mexico 87501

I declare under oath that the foregoing is  
a true and correct copy of the transcript in  
file number 6707  
held by me on 11-28 1979  
Richard R. [Signature]  
Oil Conservation Division