

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

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

APPLICATION OF YATES PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,188

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 4th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 4th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

December 4th, 2003
 Examiner Hearing
 CASE NO. 13,188

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| <u>JOHN F. HUMPHREY</u> (Geologist) | |
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* * *

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
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Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 13,188. This is the Application of Yates Petroleum
5 Corporation for approval of a unit agreement in Eddy
6 County, New Mexico. I'll call for appearances.

7 MR. FELDEWERT: May it please the Examiner, my
8 name is Michael Feldewert. I'm with the Santa Fe office of
9 the law firm of Holland and Hart, appearing today on behalf
10 of Yates Petroleum Corporation, and we have one witness.

11 EXAMINER STOGNER: Any other appearances in this
12 matter?

13 Will the witness please stand to be sworn?

14 (Thereupon, the witness was sworn.)

15 JOHN F. HUMPHREY,

16 the witness herein, after having been first duly sworn upon
17 his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. FELDEWERT:

20 Q. Would you please state your name and address for
21 the record?

22 A. My name is John Humphrey, I'm a geologist with
23 Yates Petroleum out of Artesia, New Mexico.

24 Q. And by whom are you --

25 A. Yeah, Yates Petroleum.

1 Q. And you're a geologist?

2 A. Yes.

3 Q. Okay. Have you previously testified before the
4 Oil Conservation and had your credentials as a petroleum
5 geologist made a matter of public record?

6 A. Yes, I have.

7 Q. Are you familiar with the Application filed in
8 this case?

9 A. Yes, I am.

10 Q. And are you familiar with the status of the land
11 in the proposed unit area?

12 A. Yes, I am.

13 Q. Have you also conducted a geologic study of the
14 area that is the subject of this Application?

15 A. Yes, I have.

16 MR. FELDEWERT: Mr. Examiner, are the witness's
17 qualifications acceptable?

18 EXAMINER STOGNER: They are.

19 Q. (By Mr. Feldewert) All right, why don't you just
20 briefly state what Yates seeks with this Application?

21 A. Yates Petroleum seeks approval of the proposed
22 Samuel Smith Exploratory Unit. This unit is comprised of
23 approximately 7684 acres, more or less, or state, federal
24 and fee acreage in Eddy County, New Mexico, and we seek to
25 test all formations from the surface to the top of the

1 Mississippian formation.

2 Q. Okay, is Yates Petroleum Corporation going to be
3 the unit operator?

4 A. Yes.

5 Q. Okay. Is Yates Exhibit Number 1 a copy of the
6 unit agreement?

7 A. Yes, Yates Exhibit Number 1 is a unit agreement
8 for the development and operation of the Samuel Smith Unit,
9 which is based on the BLM unit agreement form.

10 Q. And as the Exhibit A to this unit agreement, is
11 that a plat of the unitized -- or the unit area?

12 A. That is correct.

13 Q. Okay, if we turn to that it shows the boundaries
14 of the proposed unit area, does it not?

15 A. Yes, it does.

16 Q. Where is the location of the initial test well?

17 A. The initial test well, the bottomhole location
18 will be located in the southwest quarter of 33, Township 23
19 South, Range 24 East.

20 Q. That's on federal acreage here?

21 A. That's correct.

22 Q. Now this map shows -- identifies federal and
23 state leases involved?

24 A. Yes, it does.

25 Q. It indicates that 85 -- over 85 percent of this

1 unit area is federal land?

2 A. That's correct.

3 Q. With 12.5 percent state land?

4 A. Yes.

5 Q. Now, there's a remaining acreage designated there
6 as fee acreage. On this map it shows it as being unleased;
7 is that accurate?

8 A. That's a mistake on this particular map, Mr.
9 Examiner. It is leased. It's listed -- and we'll cover
10 Exhibit B on this in a minute, but on Exhibit B you'll see
11 that it is leased by Continental Land Resources, LLC.

12 Q. Okay, now the numbers on this Exhibit A to the
13 unit agreement, they correspond to the numbers shown on
14 Exhibit B to this unit agreement; is that correct?

15 A. That's correct.

16 Q. All right. And Exhibit B to the unit agreement
17 identifies the owners of the acreage here in this unit
18 area?

19 A. That's correct.

20 Q. Now, how much of this total acreage has been
21 committed to this unit?

22 A. 98 percent.

23 Q. And does that include all of the federal and
24 state acreage?

25 A. That's correct.

1 Q. All that acreage is leased to Yates; is that
2 correct?

3 A. Yes.

4 Q. All right. Now, with respect to the fee acreage
5 that comprises two percent of this unit, what are Yates's
6 plans with respect to that fee acreage?

7 A. Yates will offer -- or invite the 2-percent
8 outstanding interest to join the unit after it's approved
9 by the -- you know, assuming it's approved by the OCD.

10 Q. And is that -- The working interest in that fee
11 acreage, that's Continental Land Resources?

12 A. That's correct.

13 Q. And they're shown on the last page of Exhibit B?

14 A. That is correct, that's tract 19.

15 Q. All right. What horizons are being unitized in
16 the Samuel Smith Exploratory Unit?

17 A. All horizons are being unitized, and that's
18 listed in Article 3 in the unit agreement, which is on page
19 3.

20 Q. Okay.

21 A. Again, it states all formations of the unitized
22 lands.

23 Q. Does Article 9, then, in the unit agreement
24 identify the initial test well?

25 A. Yes, and the TD of the initial test well will be

1 approximately 10,600 feet to vertical depth, which is
2 stated in Article 9 on page 5.

3 Q. And then Article 10 of this unit agreement
4 provides for the periodic filing of plans of development,
5 does it not?

6 A. Yes, it does.

7 Q. Will these plans also be filed with -- Well, will
8 these plans be filed with the OCD as well as the State?

9 A. Yes, they will.

10 Q. Okay, and how often are these plans to be filed?

11 A. Within six months after completion of the initial
12 unit well, subsequent plans will be filed every 12 months.

13 Q. Now, has the State of New Mexico given
14 preliminary approval of this proposed unit area?

15 A. Yes, they have, and Exhibit 2 is an approval
16 letter from the State Land Office.

17 Q. Okay. And then has the BLM designated this unit
18 area as an area logically suited for unit development?

19 A. Yes, they have, and that is shown on Exhibit 3,
20 the letter from the Bureau of Land Management designating
21 this area as the logical unit area.

22 Q. Okay. And then if we move on to Exhibit Number
23 4, is that an AFE for your initial test well?

24 A. Yes, it is.

25 Q. It's going to test the Morrow formation; is that

1 correct?

2 A. That is correct.

3 Q. And would you review the dryhole and completed
4 well cost, please?

5 A. The dryhole cost is estimated to be approximately
6 \$1.1 million, and the completed well cost is estimated to
7 be approximately -- almost \$1.7 million.

8 Q. Okay, and when do you plan to spud the initial
9 test well for this unit?

10 A. Sometime during the first quarter of 2004.

11 Q. All right. Okay, then why don't we then turn to
12 the geologic portion? Identify first for the Examiner,
13 what is the primary objective of your initial test well?

14 A. The primary objective of the initial test well
15 will be the upper, middle and lower Morrow sandstones.

16 Q. Are there any secondary objectives?

17 A. Yes, the Atoka sandstones and Strawn lime have
18 both found to be productive in the regional area around the
19 unit.

20 Q. Okay. Now let's turn to what's been marked as
21 Yates Exhibit Number 5. Why don't you identify that for
22 the record and review it for the Examiner, please?

23 A. Yates Exhibit Number 5 is a structure map of the
24 middle Morrow lime marker. The proposed unit lies along
25 the upthrown side of a major southwest-northeast-trending

1 regional fault that has approximately 500 feet of throw.
2 The fault's been delineated by subsurface control in the
3 area.

4 The major fields that lie along this fault
5 include Rock Tank, which is on the -- the production that
6 you see north of the proposed unit boundary, which --

7 Q. Okay, let me stop you there. You've got your
8 fault line, is the blue line?

9 A. Yes, the fault line is the blue line, and the
10 upthrown side is indicated by the "U", downthrown side by
11 the "D".

12 Q. Okay, and then you have a number of circles.

13 A. The circles are cumulative -- Basically, it's
14 cumulative-production bubbles indicating the magnitude of
15 the cumulative production in the Morrow, so basically
16 you'll see these bubbles on all the maps I'll be presenting
17 today, and that's showing you the cumulative production of
18 the Morrow wells in the area.

19 Q. Okay, so you've got a productive field in the
20 northeast --

21 A. Yes.

22 Q. -- part of the exhibit?

23 A. Yeah, northeast of the proposed unit boundary
24 along the fault, and you have quite a bit of production to
25 the south.

1 Q. What is the distinction between -- Or what have
2 you seen as a distinction between the upthrown side of the
3 fault and the downthrown side of the fault?

4 A. Typically the Morrow is wet on the downthrown
5 side of the fault. So we feel that the proposed unit is a
6 logical boundary located along the upthrown side of the
7 fault. And we'll look at some other exhibits in a minute,
8 indicating the nonproductive nature of the Morrow sand on
9 the downthrown side of the fault.

10 Q. Are you, by virtue of this unit, kind of stepping
11 out to the north and the west of existing production to
12 that fault line?

13 A. That's correct.

14 Q. Now, there's a -- down there in Section 33, in
15 the unit area, there is two circles with a red line between
16 them.

17 A. Uh-huh.

18 Q. What does that indicate?

19 A. Due to rugged topography in the area, Mr.
20 Examiner, this well will be directionally drilled from
21 Section 32 to the bottomhole location in Section 33. That
22 red line indicates the trajectory of the wellbore.

23 Q. Okay. Now you mentioned the fact that your
24 target is the upper, middle and lower Morrow sands. Do you
25 have some net sand isopachs and some cross-sections for the

1 primary targets, which are your middle and your upper
2 zones?

3 A. Yes.

4 Q. Okay. Why don't you then turn to what's been
5 marked as Yates Exhibit Number 6?

6 A. Exhibit 6 is a net-sand isopach of the middle
7 Morrow "B" sand over the proposed unit area. The unit lies
8 along multiple mappable sand trends extending from known
9 production to the south of the unit. The middle Morrow is
10 the main productive sand, one of the main productive sands
11 to the south, and should be productive on the upthrown side
12 of the fault.

13 And next we'll look at -- you see a cross-section
14 A-A' indicated on the sand isopach, which we'll look at
15 next, showing the nature of the sand on the upthrown and
16 the downthrown side of the fault.

17 Q. Okay. And again, your proposed well location is
18 shown in Section --

19 A. -- 33, bottomhole location in Section 33.

20 Q. All right. They why don't we turn to what's been
21 marked as Yates Exhibit Number 7. This is your cross-
22 section, correct?

23 A. Exhibit 7 is cross-section A-A' showing the
24 productive characteristics of the middle Morrow on the
25 upthrown side of the fault versus good sand quality and low

1 resistivity, i.e., wet, on the downthrown side.

2 The first well you're looking at is Yates
3 Petroleum Lechuguilla Canyon Unit Number 6 to the south of
4 the proposed unit boundary, it's cumulative production of
5 4.1 BCF, the same sand we see in the Harvey E. Yates
6 Company Last Chance Number 1, good sand quality, reasonable
7 porosity but slow resistivity, and tested water on drill
8 stem test.

9 So basically the fault is the trapping mechanism
10 for most of these sands in the area.

11 Q. Okay. So that the well on the left side of
12 Exhibit Number 7 is on the down- -- upthrown side --

13 A. Upthrown side, and the well on the right side is
14 on the downthrown side.

15 Q. Okay.

16 A. It's a stratigraphic cross-section.

17 Q. Anything else about these -- with these two
18 exhibits?

19 A. I don't believe so.

20 Q. Okay, let's then turn to the next set of
21 exhibits, which has been marked as Exhibits -- Yates
22 Exhibits 8 and 9.

23 A. Yates Exhibit Number 8 is a net sand isopach of
24 the upper Morrow over the proposed unit area. Initial test
25 well, again, in the southwest part of 33, will test the

1 productivity of the sand over the area.

2 Cross-section C-C', again, we'll look at another
3 cross-section showing what the sand -- the productive
4 nature of the sand on the upthrown side of the fault versus
5 it being wet on the downthrown side.

6 Q. Okay, let me stop you there. Has that cross-
7 section been marked as Yates Exhibit Number 9?

8 A. That's correct.

9 Q. So if we pull out Exhibit Number 8 and lay it
10 next to Exhibit Number 9, those two go together, correct?

11 A. Yes.

12 Q. All right, what do they show?

13 A. The well on the left is the Harvey Yates Last
14 Chance Number 1 again. We have a reasonably good quality
15 upper Morrow sand again that's wet, very low resistivity.

16 And the well to the right on C-C', we see the
17 Moncrief well, Marathon State 2, which has a cumulative
18 production of 3.2 BCF out of the upper Morrow on the
19 upthrown side of the fault. While it's a different sand --
20 There's not a lot of control in the upper Morrow over the
21 unit area. In most cases you need a structural trap -- at
22 least areas I've mapped, you need a structural trap for
23 this upper Morrow.

24 Q. Okay, why don't you summarize for the Examiner
25 why Yates believes this proposed area is appropriate for

1 development under a unit plan?

2 A. The well costs are fairly expensive in this area,
3 and we believe that the proposed unit boundary lies along a
4 logical geologic boundary, i.e., the fault, that makes it
5 suitable for development under a unit plan.

6 Q. And does that fault run northeast to southwest?

7 A. That's correct.

8 Q. Okay. All right. And you're stepping out of
9 your production -- known production to the north and to the
10 west --

11 A. Yes.

12 Q. -- to that fault line?

13 A. Yes.

14 Q. In your opinion, is this an area that can be
15 effectively developed under a unit plan?

16 A. And will the formation of this unit result in the
17 most reasonable and efficient development of these
18 reserves?

19 A. I believe it will.

20 Q. In your opinion, will approval of this
21 Application be in the best interests of conservation, the
22 prevention of waste and the protection of correlative
23 rights?

24 A. Yes.

25 Q. Were Yates Exhibits 1 through 9 prepared by your

1 office or under your direction and supervision?

2 A. Yes.

3 MR. FELDEWERT: Mr. Examiner, at this time I
4 would move the admission into evidence of Yates Exhibits 1
5 through 9.

6 EXAMINER STOGNER: Exhibits 1 through 9 will be
7 admitted into evidence.

8 MR. FELDEWERT: And that concludes our
9 examination of this witness.

10 EXAMINATION

11 BY EXAMINER STOGNER:

12 Q. Mr. Humphrey, it's hard for me to make out some
13 of the well symbols on some of your maps. Now, there show
14 to be some old wellbores that are inside the unit area; is
15 that correct?

16 A. Yes, sir.

17 Q. Are any of these actually producing now?

18 A. None of those are active at the current time, no.
19 And there's one shallow dry hole which did not penetrate
20 the Morrow in Section 25.

21 Q. Now your proposed well -- I'm sorry, the well in
22 which -- the initial well for this unit, it's going to be
23 in the southwest quarter of 33; is that correct?

24 A. Yes, sir.

25 Q. Now, there's already a wellbore there. Is that

1 the surface or the bottomhole?

2 A. That's the surface.

3 Q. That is the surface?

4 A. That's the surface location, it's not an actual
5 well, it's just a location.

6 Q. Okay, would this be a -- Will this be a new well
7 drilled vertically, or is going to be the re-entry of this
8 one?

9 A. The location you see in 32 is just a location,
10 it's not an existing well, Mr. Examiner. It will be
11 drilled directionally from Section 32 to Section 33.

12 Q. Okay, but that's not the well you're proposing
13 for the initial well of this unit?

14 A. No, not the surface location, no, sir. If I
15 understood you right.

16 Q. Well, I -- okay, I may -- Oh, what's going to be
17 the initial well and how will it be drilled?

18 A. It will be drilled directionally, and the initial
19 well will be in Section 33 in the southwest quarter.

20 Q. The bottomhole or the surface?

21 A. The surface location will be located -- It's on
22 the AFE. Surface location is 1400 from the south, 1170
23 from the east in Section 32. The bottomhole location will
24 be 1000 from the south, 660 from the west in Section 33,
25 Mr. Examiner.

1 Q. What's the necessity for drilling directionally?

2 A. The topography is extremely rugged out here.

3 Q. Okay, and your proposed bottomhole location was
4 obviously -- or, it appears to me, picked for geological
5 reasons?

6 A. Yes, sir. You see the two wells to the south,
7 one of which is on cross-section A-A', you have a fairly
8 distinct mappable trend in the middle Morrow "B" going
9 across what I think -- going over the proposed location.
10 You can see it even on the downthrown side of the fault.
11 And again, it's indicated on cross-section A-A'. And
12 basically I wanted to drill directionally to get into the
13 gut of that channel and be on trend with those Lechuguilla
14 wells to the south.

15 Q. Now, has the application for permit to drill been
16 filed for this well?

17 A. Yes, sir, it has.

18 Q. Who with? Both parties, both BLM and the OCD?

19 A. Yes, it's been approved.

20 Q. Okay. Let's see. Now, this unit is actually
21 located south and west of Carlsbad; is that correct?

22 A. Yes, sir.

23 Q. How far north of the Carlsbad Cavern area?

24 A. It is northwest of Carlsbad Cavern -- this is
25 rough -- 15 miles?

1 Q. Okay.

2 A. That's just a rough estimate. It's -- If you
3 know the area, it's near the intersection of Dark Canyon
4 Road and the Queen Highway, if you're familiar with the
5 area.

6 Q. Yeah, and there's a lot of other things just
7 besides surface constraints that the BLM is concerned about
8 out there also --

9 A. Uh-huh.

10 Q. -- karst topography, I guess that's still a
11 concern?

12 A. That's correct.

13 Q. What led to the formation of this request for
14 this unit? This particular well, or other constraints?
15 The reason I'm asking is because you're on State land, as
16 far as the surface goes --

17 A. Yes, sir.

18 Q. -- but you're drilling over to federal?

19 A. Uh-huh.

20 Q. Was that some concern that caused for the
21 creation of this unit?

22 A. No, there was some concern at the State Land
23 Office, that didn't con- -- If you notice the letter from
24 the State Land Office, if we do make a commercial producer
25 in 33, they're going to require us to drill a well in the

1 east half of 32 protecting, you know, the State's rights.

2 As far as the unit, there's just a lot of leases.
3 They're not coming up that soon, it just seemed to be a
4 more orderly development. You know, there's a lot of
5 things happening here. We felt that forming the unit would
6 lead to a more orderly development.

7 Q. Now the -- it's a fee acreage, it's identified on
8 the last page, and that is Continental Land Resources,
9 L.L.C.?

10 A. Yes, sir.

11 Q. Have you been in contact with Continental Land
12 Resources, L.L.C., about the -- joining this voluntary unit
13 prior to now?

14 A. No, we have not.

15 Q. How come?

16 A. The land department felt that it would be best to
17 go there with the -- you know, assuming we get the
18 approval, they thought it would be better to go that route.

19 Q. Did the BLM or the State Land Office, did they
20 voice any concerns about fee acreage in there, or was that
21 a topic of conversation, ever come up?

22 A. It really didn't come up with either party.

23 EXAMINER STOGNER: Does anyone else have any
24 questions of Mr. Humphrey?

25 MS. MacQUESTEN: No, but I would like to ask a

1 question of Mr. Feldewert. Just on the notice requirement,
2 do you feel it's not necessary to contact Continental Land
3 Resources prior to applying for this agreement?

4 MR. FELDEWERT: When I first did this, the unit-
5 agreement case, two years ago, I got the file from my
6 partner Bill Carr. I got it the day before the hearing, I
7 looked through it, and I had the same exact question that
8 you just asked now. And if you go through the Rules, the
9 Division Rules, there's no notice requirements for approval
10 of a unit agreement.

11 And it's my understanding that the historical
12 development to this process has been that the State of New
13 Mexico and the Commissioner of Public Lands requires the
14 Oil Conservation Division, as part of the State's approval,
15 to at least review and issue an order unitizing the area
16 before the State actually grants final approval of this
17 unit area.

18 What the State is essentially doing here, or what
19 the Division is essentially doing here, is nothing more
20 than a review of a private agreement between -- in this
21 case, Yates, the State, the BLM and potentially
22 Continental.

23 And as a result, there's no notice requirement
24 that -- in fact, you don't give notice to anyone. All the
25 State is doing here at this point is reviewing the unit

1 area to assure that it indeed makes some sense to unitize
2 the area and that there's a reason for unit development
3 here.

4 And so historically there has not been a notice
5 requirement for the parties that are involved. But it's
6 funny, I had the same question when I first did this.

7 MS. MacQUESTEN: Thank you.

8 EXAMINER STOGNER: Along these same lines, Mr.
9 Feldewert, would it -- what particular instance in a unit
10 agreement, a voluntary unit agreement, or perhaps the fee
11 leasee or the fee leasor would be notified or should be
12 notified before coming before this agency?

13 MR. FELDEWERT: I'm not -- in my opinion -- it's
14 nothing more than that -- there probably shouldn't -- there
15 has not been and should not be a notice requirement,
16 primarily because this is a voluntary unit. You can opt in
17 or you can opt out. And if you choose not to become
18 involved in the unitization of the area, then of course you
19 will be paid -- if a well is drilled on your acreage, you
20 will be paid pursuant to your acreage itself, your lease,
21 as opposed to sharing in the production from the entire
22 unit area.

23 So you make a -- in essence, as an operator out
24 there, you make a decision as to whether you want to go it
25 alone and drill a well on your acreage or whether you want

1 to be part of a unit and share the production of the unit
2 area and, by the same token, share the production from your
3 acreage with the entire unit area.

4 So, Mr. Examiner, I really don't see any
5 situation off the top of my head where a notice requirement
6 would be necessary, given that this is a voluntary unit.

7 EXAMINER STOGNER: Well, let's plot the acreage
8 in this instance. How about if it was 98-percent fee and
9 1-percent state and 1-percent federal, and you were coming
10 in and asking for such an item?

11 MR. FELDEWERT: Well, at that point in time you'd
12 have to have approval from a sufficient percentage of the
13 fee acreage to assure that you have effective control over
14 unit operations. Otherwise you wouldn't be in a position
15 to ask for approval of a unit area.

16 So in other words, you'd have to have enough
17 voluntary participation at that point to provide effective
18 control over unit operations. And in your scenario, if you
19 didn't have the approval, voluntary approval of the fee
20 acreage that comprises 98 percent of the unit area, you
21 would not have effective control over unit operations.

22 EXAMINER STOGNER: Essentially what we're getting
23 at is, each unit is looked upon somewhat as it comes up; is
24 that correct?

25 MR. FELDEWERT: Correct, correct.

1 EXAMINER STOGNER: And there has been instances
2 where it's been a hundred-percent fee acreage that has been
3 unitized, but you haven't been involved in those instances,
4 have you, where a hundred percent of the unitized acres was
5 fee?

6 MR. FELDEWERT: Not that I can remember.

7 EXAMINER STOGNER: Okay.

8 MR. FELDEWERT: But again, you have to have
9 enough voluntary participation to provide effective control
10 over unit operations.

11 EXAMINER STOGNER: And that would depend upon the
12 unit agreement, what that would be; would that be correct?

13 MR. FELDEWERT: Correct.

14 EXAMINER STOGNER: Any other questions?

15 MS. MacQUESTEN: No, thank you.

16 EXAMINER STOGNER: Is there anything further in
17 Case Number 13,188 at this time? Then this matter will be
18 taken under advisement.

19 Let's take a 10-minute recess.

20 (Thereupon, these proceedings were concluded at
21 9:41 a.m.)

22 I do hereby certify that the foregoing is
23 a correct and true record of the proceedings in
24 the examiner hearing of Case No. 13188,
25 heard by me on 8 January 2004.
Michael J. Stogner, Examiner
Oil Conservation Division

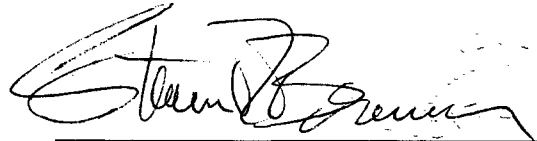
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court 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 December 5th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006