

Applicant. We have the same witness as appeared in the preceding case.

MR. MORRIS: Let the record show that Mr. Russell was sworn in the previous case.

WILLIAM C. RUSSELL

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A William C. Russell.

Q Are you the same Mr. Russell who testified in Case No. 2528?

A Yes, sir.

Q Mr. Russell, are you familiar with the application of R & G Drilling in Case 2529?

A Yes, sir, I am.

Q Would you state what is proposed in this application?

A In this application, we propose that we be granted two unorthodox Dakota drilling locations, Township 30 North, 13 West, Section 6, West Half; Section 7, West Half; and Section 18, West Half. We propose to unitize the West Half of 6 with the Northwest of 7 for one drilling location; and the Southwest of 7 with the West Half of 18 for a second drilling location.

Q Do you have all of that acreage under lease at the

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present time?

A We have all that under lease, yes. As a matter of fact, we have the West Half of 5, all of 6, all of 7, West Half of 8, the South Half of 17, and all of 18.

Q You are familiar with the fact that the Commission had a hearing involving this area as to non-standard units, are you not?

A Yes, I am aware of that.

Q And it entered its Order R-2046 which created units different than those which you now propose?

A Yes, sir.

Q For what reason can you not follow the units set up in that Order?

A Mr. Kellahin, as I understand, the units as they are set up, it takes in part of our West Half of 6 and then the West Half of 31, the Section directly north of us.

Q Is that in the same Township?

A No, those are in different Townships. That unit would lie across the Township line, and we own no acreage north or south of these Sections that I have enumerated, but even so, I have investigated this Section 31 up there as to who does own it and how title is held, and it's not a pretty picture at all. There's some doubt as to who does own the lease, and there are quite a few judgments and liens.

MR. NUTTER: You are referring to the West Half of 31



immediately north?

A Right.

MR. KELLAHIN: That's right, which would be in a normal unit under the provisions of the Order.

MR. NUTTER: Right.

Q (By Mr. Kellahin) As a matter of fact, Mr. Russell, is the acreage presently available for communitization to form a unit as set out in Order No. R-2046, that is, the acreage in Section 31?

A No, that acreage, as I've determined it, is not presently available.

Q Is it involved in litigation which would cause delay?

A That's my understanding.

Q Do you have any idea when it might become available?

A No, I don't, because I understand there's going to be further litigation in connection with that Section.

MR. NUTTER: Again, you are referring to Section 31 to the north?

A Right.

Q (By Mr. Kellahin) You have the other acreage you propose to form into a unit?

A That is correct.

Q Your unit which would include Section 6 and 7 would constitute--you have a map showing the area involved?

A Yes, I do.



(Whereupon, Applicant's Exhibit 1 marked for identification.)

Q Is Exhibit 1 the map of the area?

A That is.

Q Was that prepared by you or under your supervision?

A It was.

MR. KELLAHIN: We would like to offer the map in evidence, please.

MR. NUTTER: Exhibit No. 1 will be admitted in evidence.

Q (By Mr. Kellahin) This situation arises by the fact that this is not a standard Section, isn't that correct?

A It's a short Township; all the Sections on the west side of the Township are something less than standard.

Q According to the governmental survey, what acreage would be involved in what we have designated as Unit No. 1, which includes Sections 6 and 7?

A It would be Lots --

Q What acreage?

A The amount of acreage?

Q Yes.

A It would be 342.51 acres.

Q What would be the acreage involved in the Unit No. 2 in Sections 7 and 18?

A 320.27 acres.

Q So for purposes of allocating acreage for proration

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purposes, Unit No. 2 would approximately be a standard unit, is that correct?

A Approximately, yes.

Q That is, on an acreage basis?

A Right.

Q The unit in No. 1 would exceed that by some twenty acres?

A That is correct.

Q Are you asking for an unorthodox location?

A No, we are asking for a standard location.

Q Do you have immediate plans to drill on this acreage?

A As a matter of fact, we have a location built in the Southwest Quarter of Section 6, and a rig waiting to move on.

Q What effect, if any, would the granting of this application have on offset operators?

A I know of no adverse effect whatsoever, because, as I say, from what I know about Section 31, it doesn't appear that there's going to be any drilling done in that Section for some time.

Q As to the land to the east of the area?

A Well, to the east of the area, we own the leases.

Q What's the situation to the west?

A And to the west, Humble owns the leases, I believe, and there's no development out there at the present time. I know of no one that would be adversely affected by our drilling

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these two units.

Q Do you have anything to add to your testimony?

A No, I haven't, nothing further.

Q Is the working interest held under common ownership, is that correct?

A That is correct.

Q What about the royalty interests?

A The same is true of the royalty interest.

Q It's common throughout?

A Throughout.

Q Would that situation be true if you were forced to communitize with Section 31 to the north?

A No, it would not be true.

Q Would it be true if you had to follow the provisions of Order 2046 as to the acreage to the south?

A No, it would not be true there, either.

Q It would call for communitization of working and royalty interests in both instances, is that correct?

A That is correct.

MR. KELLAHIN: That's all I have of the witness.

MR. NUTTER: Are there any questions of Mr. Russell?

MR. MORRIS: Yes, sir.

CROSS EXAMINATION

BY MR. MORRIS:

Q Which is the land in litigation?



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A Section 31.

Q To the north?

A Yes.

Q What about the acreage to the south, when you were discussing how correlative rights would be affected, how would the balance of the acreage to the south in Sections 7 and 18 be affected by the granting of the application that you have made?

A I know of no adverse effect it would have on Section 19.

Q 7 and 18, I am referring to, not 19.

A Oh, in 7 and 18, what we propose to do is drill the Southwest of 18.

Q Right.

A We own all of Section 6, 7, and 18.

Q I follow you. Would you tell me what the situation is in Section 19?

A Yes, that's where Compass has taken a farmout from Monsanto Chemical on that, and additional acreage to the south of 19. What they'd be willing to do in the way of unitizing or farming out, I don't know. I do know they are acquiring acreage in the area and that they're active in the area. There's one thing I would like to add, if I may, that if we are given two units as requested, the roads are in and it would be accessible. If we had to come down south into 19, there, I don't know whether



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there's roads into the Northwest Quarter of 19. I don't think there are, because it's very rough country right at the base of the mesa out there, and it would just facilitate the development of the property; and aside from the fact that we own the leases, we would rather drill our own leases and not have to join somebody else. The terrain has to be taken into consideration by anybody drilling out there, because it is rough.

Q Now as the, I guess what we could refer to as the Southwest Quarter of Section 18 is included within your unit, then that would make a very small unit immediately south of there, comprising the West Half of Section 19 and a portion of Section 30, as we have presently set up our proration units, would it not?

A Yes, that is true.

Q It might work a hardship on any operator attempting to develop in that area?

A Well, of course my response to that is this is quite a hardship on operator R & G to make him go across the Township line in Section 31.

Q We are talking about correlative rights, Mr. Russell. Just because something helps your correlative rights, it may hurt someone else's correlative rights; and that's what we need to determine here today. In fact, if you cut this proration unit down immediately south of your two areas here, you might not get a well drilled there at all. You might not have a large enough allowable.



A Well, of course, we have one location in Section 7 now, in the West Half. If we drill that, that's going to leave the West Half of 6, except for the south; we are going to have two parcels hanging off there. We would have the Southwest of 18 and the Northwest of 6, if we ever drill 17. I don't know what we would do with it. We have one full location, I guess, in the Southwest of 7 there, as the units are presently constituted out there. Instead of one, we would have two.

BY MR. NUTTER:

Q As I understand it, Mr. Russell, the acreage immediately north of your blue unit on your map, which is in Section 31, is involved in litigation, and as far as you know it's not leased or there's no clear lease on it at this time?

A It is leased, and the question is by whom, because I have been approached by three different people that wanted to turn it to me; and on investigation, they didn't own it at all. They thought they had claims against it or they were going to take it over for a bad debt. There are some judgments against the outfit who did own, have title to that lease at one time, and I'd be afraid of that Section 31. As a matter of fact, I was honestly interested in it. We wanted that Section, because that would give us a full location in the Northeast, and then we could use the West to piece out with what we had, but I don't see any way we can ever fit it in.

Q All of 31 is involved in this litigation?

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A Yes, it's all under one lease.

Q That was where your proposed units are breaking into the units established by this Commission Order in one respect. Now down south they are breaking into a unit which was designated as composing the Southwest Quarter of 18, all of the West Half of 19, and one Lot in 30. You say that Compass owns the acreage in the West Half of 19?

A Right, and in 30, I don't know who owns that.

MR. NUTTER: Are there any other questions of Mr. Russell? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all, Mr. Nutter.

MR. NUTTER: Does anyone have anything further?

MR. MORRIS: If the Examiner please, the Commission has received a letter from the Humble Oil and Refining Company, owning lands offsetting to the west the lands involved in this hearing, and they state that they have no objection to the granting of the subject application.

MR. NUTTER: Thank you. Anything further in this Case 2529? We'll take the case under advisement and adjourn the hearing.

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