

CHRISTY LAW OFFICES

920 UNITED BANK PLAZA

P. O. BOX 569

ROSWELL, NEW MEXICO 88202-0569

TELEPHONE 625-2021
AREA CODE 505

OMNIFAX
TELECOPY 625-2023
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

January 3, 1989

The Honorable William J. LeMay
Director
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

SEARCHED
SERIALIZED
INDEXED
FILED
JAN 10 1989
FBI - ROSWELL
Case 9586

Re: In the matter of the Application of Enron Oil & Gas
Company for Compulsory Pooling, Lea County, New Mexico

Dear Mr. Director:

I have been advised, as owner of XY Ltd, that Enron Oil & Gas Company has filed an Application for Forced Pooling of all mineral interest to the base of the Morrow formation in and under all of Section 11, Township 24 South, Range 35 East, N.M.P.M., Lea County, New Mexico, scheduled for hearing before a division examiner January 18, 1989.

In behalf of XY Ltd, I have no objection to the Application except:

1. The forced pooling order should be limited to the base of the Morrow formation and not to all formations above or below therefrom.

2. The penalty provision should be limited to 200%, which I believe is customary.

Respectfully,

XY Ltd.

By S. B. Christy IV
S. B. Christy IV

SBC/ct

cc: Mr. William F. Carr

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

February 3, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 9546
ORDER NO. R-0354

Applicant:

Enron Oil and Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Chuck Coll

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 18 January 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Enron Oil and Gas Comp- CASE
10 any for compulsory pooling, Lea County, 9586
11 New Mexico.

12 BEFORE: Victor T. Lyon, Examiner

13
14 TRANSCRIPT OF HEARING

15
16 A P P E A R A N C E S

17 For the Division:

18 Robert G. Stovall
19 Attorney at Law
20 Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico

21 For Enron Oil and Gas
22 Company:

23 William F. Carr
24 Attorney at Law
25 CAMPBELL and BLACK, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

FRANK A. ESTEP

Direct Examination by Mr. Carr 5

Cross Examination by Mr. Stovall 14

Cross Examination by Mr. Lyon 16

CARY F. GIRON

Direct Examination by Mr. Carr 17

Cross Examination by Mr. Lyon 21

STATEMENT BY MR. JONES 22

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

E X H I B I T S

Enron Exhibit One, Ownership Map	7
Enron Exhibit Two, Order R-3161	8
Enron Exhibit Three, Breafdown	8
Enron Exhibit Four, AFE	10
Enron Exhibit Five, Data	11
Enron Exhibit Six, Affidavit of Meeting	12
Enron Exhibit Seven, Isopach	18

1 MR. LYON: Call next Case
2 9586.

3 MR. STOVALL: Application of
4 Enron Oil & Gas Company for compulsory pooling, Lea County,
5 New Mexico.

6 MR. CARR: May it please the
7 Examiner, my name is William F. Carr with the law firm
8 Campbell & Black, P. A., of Santa Fe.

9 We represent Enron Oil & Gas
10 and I have two witnesses.

11 I might also note that Mr.
12 Gilbert Smith is present, who is an interest owner in the
13 property.

14 MR. LYON: Does Mr. Smith want
15 to enter an appearance?

16 MR. STOVALL: Mr. Coll was
17 here earlier and I don't know if he is --

18 MR. JONES: I don't know where
19 Chuck is. I would assume that he underestimated how fast
20 this was going to move and if he -- I'm sure that's the
21 reason he's not here, but I have no objection to it pro-
22 ceeding.

23 MR. CARR: May it please the
24 Examiner, I would suggest, just so the record is complete,
25 that the record reflect Mr. Jones' appearance in this case.

1 MR. LYON: Would you give me
2 your full name?

3 MR. JONES: Durwood, D-U-R-
4 W-O-O-D, O. Jones.

5 I represent Jones, Robinson,
6 Limited, of Roswell.

7 MR. STOVALL: Are you planning
8 to present any testimony, Mr. Jones, are you just observe
9 and listen?

10 MR. JONES: I will limit it to
11 remarks of where it stands at this time between myself and
12 Enron.

13 MR. STOVALL; Well, the ques-
14 tion would be whether you should ahead and be sworn as a
15 witness and testify as to fact and --

16
17 (Witnesses sworn.)

18
19 MR. LYON: Proceed, Mr. Carr.

20
21 FRANK A. ESTEP,
22 being called as a witness and being duly sworn upon his
23 oath, testified as follows, to-wit:

24
25 DIRECT EXAMINATION

1 BY MR. CARR:

2 Q Will you state your full name for the
3 record, please?

4 A Frank C. Estep.

5 Q Spell your last name.

6 A E-S-T-E-P.

7 Q Mr. Estep, will you -- where do you re-
8 side?

9 A Midland, Texas.

10 Q By whom are you employed and in what
11 capacity?

12 A Enron Oil & Gas Company, Division
13 Landman.

14 Q Have you previously testified before
15 this Division and had your credentials as a landman ac-
16 cepted and made a matter of record?

17 A No.

18 Q Would you briefly summarize your educa-
19 tional background and then review your work experience for
20 the Examiner?

21 A I received a BBA degree from West Texas
22 State University in 1968.

23 I've been employed by Enron Oil & Gas
24 Company since August of 1974 as a landman.

25 Q Are you familiar with the application

1 filed in this case on behalf of Enron?

2 A Yes, I am.

3 Q And are you familiar with the subject
4 area and the proposed well?

5 A Yes, I am.

6 MR. CARR: We tender Mr. Estep
7 as an expert witness in petroleum land matters.

8 MR. LYON: Mr. Estep's cre-
9 dentials are acceptable.

10 Q Mr. Estep, would you briefly state what
11 Enron seeks with this application?

12 A Enron seeks an order pooling all mineral
13 interests in the Cinta Roja Gas Pool underlying all of Sec-
14 tion 11, Township 24 South, Range 35 East, to form a stand-
15 ard 640-acre spacing and proration unit to be dedicated to
16 a well drilled at a standard gas well location.

17 Q Would you refer to what has been marked
18 as Enron Exhibit Number One, identify this exhibit, and
19 review it for Mr. Lyon?

20 A Yes. It is a lease ownership map cover-
21 ing the general area of the well with the location of the
22 well and the proration for the well being outlined in
23 yellow.

24 It also shows east -- west of the pro-
25 posed location the outline of the Cinta Roja Morrow Pool.

1 It also shows west of the location in
2 orange four Morrow wells which are the only Morrow wells on
3 this particular plat in this area.

4 Q Mr. Estep, would you refer to Enron Ex-
5 hibit Number Two and identify that for the Examiner?

6 A Enron Exhibit Number Two is Order Number
7 R-3161, which designates 640-acre spacing for the Cinta
8 Roja Morrow Gas Pool.

9 Q And now if I could ask you to refer to
10 Exhibit Number Three and review the information on that
11 exhibit for Mr. Lyon.

12 A Exhibit Number Three is a breakdown of
13 the mineral ownership covering all of Section 11, 24 South,
14 35 East, showing the leased and unleased interest.

15 Q What percentage of the ownership in this
16 section has voluntarily committed to this well at this
17 time?

18 A At present Enron has 89.4 percent under
19 lease.

20 Q Are there other individuals with whom
21 agreements have been reached that have not been at this
22 time actually formalized in writing?

23 A Yes, sir, there are. There's an addi-
24 tional 8.9 percent that we do have verbal agreements with
25 that we will remove from any pooling order once we receive

1 the executed documents.

2 Q And so at this time you have voluntarily
3 committed over 98 percent of the interest in the section.

4 A That is correct.

5 Q Could you identify the particular in-
6 terest owners who -- with whom you have recently reached
7 agreement?

8 A Yes, sir. We have Madeleine Allan
9 Peckham Bedford, Trustee of the Alann P. Bedford Trust;
10 Patricia Lyeth; James D. Ellett; First Roswell Company;
11 Virginia --

12 MR. LYON: Could you -- could
13 you start over and let's --

14 A Oh, are you trying to follow with the
15 exhibit?

16 MR. LYON: Yes.

17 MR. CARR: Bedford is on page
18 3 of the exhibit, Mr. Examiner.

19 A Yes, page 3 would be Madeleine Allan
20 Peckham Bedford.

21 MR. STOVALL: Is that leased
22 or has some other arrangement been made?

23 A It is a verbal commitment at this point.
24 We do not have an instrument in hand.

25 Page 4, Patricia D. Lyeth.

1 Q And again that is just a verbal commit-
2 ment?

3 A These are all verbal commitments, yes,
4 at this point.

5 Q Page 7.

6 A Page 7 we have James D. Ellett; First
7 Roswell Company; XY, Ltd..

8 Page 8, Virginia Roberts French; Jones
9 Robinson Company.

10 Page 9, Anderson Carter.

11 Q As to the Jone Robinson Company
12 interest, once the agreement that has been reached has been
13 approved by their attorneys and executed, their interest
14 would not be subject to the pooling application, isn't --

15 A No, sir.

16 Q -- that correct?

17 A No, sir, it would not.

18 MR. LYON: Now, these names
19 that you've given me are the ones that are committed or not
20 committed?

21 A Verbally committed, yes, sir.

22 Q Verbally committed.

23 A Yes, sir.

24 Q Mr. Estep, would you now refer to what
25 has been marked as Exhibit Number Four?

1 A That's the AFE prepared by our drilling
2 department for the drilling of the Morrow test.

3 Q And would you review the totals on the
4 AFE for Mr. Lyon?

5 A Yes. Dry hole costs, \$1,281,500; com-
6 pleted well costs, \$1,723,700.

7 Q Are these costs in line with what's
8 charged by other operators in this general area for Morrow
9 wells?

10 A Yes, sir, they are.

11 Q Would you refer to what has been marked
12 as Exhibit Number Five and review for the Examiner the
13 efforts that have been made to locate and obtain voluntary
14 joinder of all interest owners in this section?

15 A We have contacted either by phone or by
16 letter, all those working or mineral owners within the
17 section that we have been able to locate. There is appro-
18 ximately 11 acres that we have been unable to locate. The
19 broker we hired could not find them.

20 At that point we hired a firm in Midland
21 that specializes in finding lost heirs, Hank Avery Oil Pro-
22 perties, and they have spent in excess of two months
23 looking for these interests.

24 Q Can you testify that in your opinion
25 Enron has made good faith effort to locate and obtain

- 1 voluntary joinder from all interest owners in this section?
- 2 A Yes, sir.
- 3 Q Would you identify what has been marked
4 as Exhibit Number Six?
- 5 A Exhibit Number Six is an affidavit pre-
6 pared by the Campbell & Black firm stating that you have
7 complied with the Rule 1207 of providing notice for this
8 hearing and attached to it are all the letters of notice
9 for the hearing.
- 10 Q And the return receipts are also en-
11 closed?
- 12 A Yes, they are.
- 13 Q Have you made an estimate of overhead
14 and administrative costs while drilling this well and also
15 while producing it if it is successful?
- 16 A Yes, we have.
- 17 Q And what are those figures?
- 18 A Our drilling rate, \$5801 a month; our
19 producing well rate, \$580 a month.
- 20 Q Are these costs in line with what's
21 being charged by other operators in the general area --
- 22 A Yes.
- 23 Q -- for Morrow wells?
- 24 A Yes, they are.
- 25 Q And do you recommend that these figures

1 be incorporated into any order which results from today's
2 hearing?

3 A Yes, I do.

4 Q Does Enron Oil & Gas Company seek to be
5 designated operator of the proposed well?

6 A Yes.

7 Q When does Enron plan to commence this --
8 this well?

9 A January 25th.

10 Q Have you filed an application for permit
11 to drill with the Oil Conservation Division?

12 A Yes, we have.

13 Q And what is the status of that permit at
14 this time?

15 A They were holding that permit until such
16 time as we had the hearing and they requested that if the
17 Examiner would give them a call after the hearing, they
18 would approve the permit.

19 Q And are you ready to go forward with
20 your location work at this time?

21 A Yes, we are.

22 Q Were Exhibits One through Six prepared
23 by you or compiled under your direction and supervision?

24 A Yes. Yes, they were.

25 MR. CARR: At this time, Mr.

1 Lyon, we would move the admission of Enron Exhibits One
2 through Six.

3 MR. LYON: Is there objection?
4 Exhibits One through Six will be admitted into evidence.

5 Q Mr. Estep, does Enron intend to call a
6 geophysical witness to testify as to the risk involved in
7 this prospect?

8 A Yes, we do.

9 MR. CARR: That concludes my
10 direct examination of Mr. Estep.

11 MR. STOVALL: I'd like to ask
12 one question here, if I may.

13 MR. LYON: Go ahead.

14
15 CROSS EXAMINATION

16 BY MR. STOVALL:

17 Q Mr. Estep, you said that if the examiner
18 would call, when was that? I'm afraid I missed what you
19 said.

20 A The Hobbs office. We filed our permit
21 to drill I'm going to say a week, ten days ago, and we
22 checked on it late last week and they said they were not
23 going to approve that permit to drill until such time as we
24 had had our hearing. The problem they have is they are
25 concerned about prior to the order issuing us establishing

1 and producing the well, which in this particular case is
2 not possible, I don't think.

3 Q Are you anticipating that the Examiner
4 would call them and --

5 MR. CARR: I believe --

6 A The Hobbs office suggested that.

7 MR. CARR: I believe it was
8 Evelyn who just suggested --

9 A Yes.

10 MR. CARR: -- that they were
11 going to hold it until we had the hearing and requested
12 that once the hearing had been held, that they would like
13 to talk to the Examiner about it and felt at that time they
14 could approve it so we could get started, but warned that
15 we could not produce the well until the order was in place.

16 MR. STOVALL: Okay, so they're
17 not expecting the Examiner to call and say that this is ap-
18 proved or anything like that, merely that there had been a
19 hearing.

20 A No, they're not.

21 MR. CARR: She was concerned
22 that we go ahead and have the hearing and I don't know why.

23 MR. STOVALL: All right.

24 MR. LYON: Could this be be-
25 cause of the C-102 in that we don't have all the parties

1 pooled?

2 MR. CARR: And I think that's
3 it, you know, you have to check whether it's being commun-
4 itized or whether we're going to hearing and it was my
5 understanding that they were requesting that we confirm
6 that in fact the hearing had been held.

7 MR. LYON: I don't see any
8 problem with that.

9 MR. CARR: That concludes my
10 examination of Mr. Estep, if I didn't so indicate.

11 MR. LYON: Yes, I believe you
12 did.

13

14

CROSS EXAMINATION

15 BY MR. LYON:

16 Q So the people who are listed on here as
17 not being under lease to Enron are the parties that you're
18 force pooling?

19 A Yes, sir.

20 Q If verbal commitments come through,
21 well, then they -- they will not be a force pooled party in
22 this (not clearly audible).

23 A That's correct.

24 MR. LYON: I have no ques-
25 tions. The witness may be excused --

1 MR. CARR: At this time --

2 MR. LYON: -- unless you have
3 something further.

4 MR. CARR: No, sir, at this
5 time we call Mr. Geron.

6
7 CARY F. GERON,
8 being called as a witness and being duly sworn upon his
9 oath, testified as follows, to-wit:

10

11

DIRECT EXAMINATION

12

BY MR. CARR:

13

Q Would you state your full name for the
14 record, please?

15

A Cary F. Geron.

16

Q Mr. Geron, where do you reside?

17

A Midland, Texas.

18

Q By whom are you employed and in what
19 capacity?

20

A I'm employed by Enron Oil & Gas as a
21 Division Geophysical Specialist.

22

Q Have you previously testified before
23 this Division?

24

A No, I haven't.

25

Q Would you summarize briefly your educa-

1 tional background and then review your work experience for
2 Mr. Lyon?

3 A I have a BS in petroleum geology from
4 Texas Tech University in 1953.

5 I have 31 years of experience in the oil
6 and gas industry beginning with Texaco and I went to work
7 for Enron Oil & Gas in 1984.

8 Q Does your area of responsibility include
9 southeastern New Mexico?

10 A Yes, sir, it does.

11 Q Are you familiar with the application
12 filed in this case and the subject area?

13 A Yes, sir.

14 MR. CARR: We would tender Mr.
15 Geron as an expert petroleum geophysicist.

16 MR. LYON: Mr. Geron's quali-
17 fications are acceptable.

18 Q Mr. Geron, have you prepared an exhibit
19 for presentation here today?

20 A Yes, sir.

21 Q Would you please refer to Exhibit Number
22 Seven and using this exhibit discuss the risk associated
23 with drilling a well at this location?

24 A Enron Exhibit Number Seven is a Middle
25 Morrow C Sand isopach map. The map shows Section 11

1 colored yellow, which is our Enron acreage. The blue dot
2 is the proposed location of our well. The contours on the
3 map are in five feet increments of the isopach. The lines
4 of the seismic lines are shown as numbers on the map, 85-5,
5 85-2 and 88-13. These seismic lines are the cause for
6 drilling the well.

7 Q In construction of that did you rely on
8 any well data?

9 A We used the well data in the Cinta Roja
10 Field for our isopach control of the Morrow C; however, the
11 contouring that is over the proposed location has no geolo-
12 gical support. It is entirely seismic.

13 Q Let me ask you this. Is this well pro-
14 posed to be drilled at a standard location?

15 A Yes, sir.

16 Q And does your seismic line run through a
17 standard location?

18 A Yes, sir.

19 Q Is that a custom and practice with
20 Enron?

21 A We try. We try.

22 Q Relying on this map, would you -- could
23 you recommend a penalty that should be assessed against
24 those interests who do not voluntarily participate in the
25 well?

1 A Yes, sir, we feel that we are over a
2 mile away from a marginal well, uneconomical to us in this
3 present day economic situation. We're drilling between
4 that well and the well to the east in Section 13 that's
5 dry. With no geological support, we feel that this is a
6 very risky location.

7 Q Do you recommend that the full 200
8 percent penalty be assessed in the order that results from
9 this hearing?

10 A Yes, sir, I recommend cost plus 200
11 percent.

12 Q And it is your opinion that a well could
13 be drilled at this location that would not be a commercial
14 success.

15 A Yes, sir.

16 Q Do you have anything further to add to
17 your testimony?

18 A No, sir.

19 Q Did you prepare Exhibit Number Seven?

20 A Yes, sir.

21 MR. CARR: At this time, Mr.
22 Lyon, we would move the admission of Enron Exhibit Number
23 Seven.

24 MR. LYON: Exhibit Number
25 Seven is admitted.

1 MR. CARR: That concludes my
2 examination of Mr. Geron.

3
4 CROSS EXAMINATION

5 BY MR. LYON:

6 Q Mr. Geron, in preparing an isopach map
7 based on seismic data, do you have two reflection intervals
8 or do you have some method of calculating gross thickness
9 --

10 A No, sir.

11 Q -- and then applying the percentage of
12 net pay?

13 A No, sir, there is -- the seismic only
14 indicates the presence -- hopefully indicates the presence
15 of Morrow sand channels. This area is not a blanket sand
16 deposit. It is only channelized. Therefore the risk is
17 upgraded and we cannot predict if we're receiving informa-
18 tion from what layer in the Morrow. In other words, we're
19 predicting Morrow C in this well but based only on Morrow
20 production outside of where the location is.

21 Q I see.

22 A We cannot predict thickness.

23 MR. LYON: That's -- that's
24 all my questions.

25 Anything else, Mr. Carr?

1 MR. CARR: Nothing further.

2 MR. LYON: The witness may be
3 excused and we'll take the matter under --

4 MR. STOVALL: Just a moment.
5 Mr. Jones, did you get everything you wanted to do in this
6 -- I'm sorry, we overlooked you and didn't give you a
7 chance to examine either witness.

8 MR. LYON: Oh, I'm sorry, did
9 Mr. Coll ever --

10 MR. JONES: He hasn't shown up
11 yet so --

12 MR. LYON: Would you like to
13 ask any questions of the witnesses, either one?

14 MR. JONES: Well, the reason
15 why I hadn't signed up on this, back in early August, Mr.
16 John Henson, a land -- an independent landman representing
17 Enron, called me on the phone and wanted to lease our in-
18 terest. I told him that I had quit leasing for two
19 reasons. First, I was dissatisfied with the producer's '88
20 lease because I have had too many bad experiences with
21 major companies. Texaco stole oil from us for six years
22 and I accidentally caught them, and when I called and asked
23 the man, the manager in Midland's office, if he was with
24 the oil company that had the star that they advertised you
25 couldn't trust, he wanted to know if I had a problem. I

1 said, yes, you've been stealing oil from us six years. He
2 said, Mr. Jones, the titles are in such terrible shape we
3 haven't been able to get them in shape to be able to issue
4 a division order.

5 Well, I said, as usual, a thief is also
6 a liar, and so are you.

7 This -- they had a lease they got in
8 1920 from Lee Carter, the former owner of these minerals we
9 have, which he, back in those days didn't realize you can't
10 afford to put a whole half section in one lease, subject,
11 and at the time they leased this, they farmed out the west
12 half of the northeast quarter to John L. Cox down at Mid-
13 land and just before the lease expired he drilled and
14 brought in a well at approximately 3000 feet, and believe
15 it or not, it's still producing.

16 And the title under the whole half
17 section is the same; therefor, they've been paying under
18 the John L. Cox lease because they buy the oil, you know,
19 for 65 years, and it didn't make sense to me that the title
20 could be in that bad a shape, but I told him, far as I'm
21 concerned, I don't give a damn whether the rest of the
22 titles are good or bad, ours is good, and if we don't have
23 our pay for the last six years with interest of 10 percent
24 for the last six years in 10 days, I'm going to file a
25 class action suit against you and I'm made enough that I'm

1 going to pay for it for everybody and cancel the lease on
2 the whole half section, which probably wouldn't have been
3 too bad because I understand now that it's a very good
4 prospect for Strawns, also, and they pay better than the
5 shallower wells of the past.

6 I don't know why you get more money out
7 of bigger production but it seems that you do.

8 So he said he'd get a division order
9 right out to me and in three days I had a division order
10 which I signed and returned. In nine days I had a check
11 with interest. So they could do better than what they said
12 they could. They didn't know whether they'd ever be able
13 to.

14 I've been leasing these -- handling
15 these minerals, over 14,000 net mineral acres, under about
16 45,000 surface acres in southeastern New Mexico and it
17 seems ridiculous to me that -- how the companies will lease
18 for three years or one year or five years or ten years,
19 most of them never do anything except peddle it out to
20 everybody and mess the title up, then when you try to get a
21 release they won't give it to you until you threaten to
22 hire a lawyer or do hire a lawyer, and I have several in-
23 stances that I have had to hire lawyers and of course, when
24 you hire a lawyer and tell them that you're going to file
25 suite under the New Mexico statutes, which they will have

1 to pay for the suit, they would much rather give the
2 release and then I'm stuck with paying the attorneys' fees
3 because we didn't go to court and get a judgment, see.

4 So I told him that I was
5 wanting to lease all of ours in a package under certain
6 situation, where they could each year have an option to
7 extend it another year, and develop it as they saw fit.
8 Likewise, they could assign parts of it off if somebody is
9 working in an area which they weren't interested in yet.
10 They could assign a portion of it out.

11 But I wouldn't sign any lease
12 except the lease I had spent several years working on that
13 in my opinion is fair to both parties.

14 My objection to the producer's
15 88 is not what it says, it's what it doesn't say from the
16 lessor's standpoint.

17 MR. STOVALL: Let me ask you,
18 Mr. Jones, do you think you've reached an agreement with
19 Enron at this point, at least you've testified you've done
20 it verbally, is that correct?

21 MR. JONES: We made a, Mr.
22 Henson and I started talking yesterday about 11:00 o'clock
23 and finished about 2:00 o'clock, in which he agreed to
24 lease our small interest at \$150 an acre with a fourth
25 royalty for three years.

1 He wants one thing different
2 from what our lease provides and that is the attorneys for
3 Enron feel that our statement about pooling, which is tied
4 in with whatever the State law provides, what the Commis-
5 sion decides, well, then we're bound by it.

6 But they want it to be more
7 specific than that and I told him to have the attorney send
8 it to me. If it was reasonable and fair, I would sign it.
9 I anticipate it would be, and also our lease provides that
10 they get the -- provides down to the producing horizon plus
11 100 feet. He was asking that it be more specific from the
12 surface down. I didn't know you started anywhere except
13 the surface, but if technicalities are that technical, why
14 we do not object to it being changed to the surface,
15 specifying from the surface down to the Morrow if they
16 drill that far, but 100 feet below wherever they drill and
17 produce.

18 Of course if they don't pro-
19 duce, why that takes care of it, I guess, to everybody's
20 discontent.

21 MR. STOVALL: So you -- let me
22 just make sure I understand correctly, that you believe
23 that you have an agreement --

24 MR. JONES: That is my opinion
25

1 and I anticipate --

2 MR. STOVALL: And you under-
3 stand also --

4 MR. JONES: You anticipate
5 that, don't you?

6 MR. STOVALL: You understand,
7 also, that should anything happen to prevent that from oc-
8 ccurring that you will be subject to a forced pooling order,
9 is that correct?

10 MR. JONES: Well, my under-
11 standing is that we would be omitted from the forced pool-
12 ing --

13 MR. STOVALL: (Not clearly un-
14 derstood).

15 MR. JONES: -- because we
16 fixed the lease.

17 MR. STOVALL: Okay. Is there
18 anything else you'd like to add?

19 MR. JONES: So I told him that
20 I wanted to -- I would come on over regardless and he
21 wanted to know why and I said, well, I think it would be
22 educational, and it has been very educational. I have en-
23 joyed it immensely.

24 MR. STOVALL: Well, thank you
25 for being so patient and sitting with us today.

1 MR. JONES: And I also have a
2 much higher regard of the situation than I had before. I
3 think you handle it very, very nicely.

4 MR. LYON: Thank you. You do
5 realize that if you don't come to an agreement that you
6 will be force pooled and you'll have an opportunity to pay
7 your share in advance and otherwise they will take it out
8 of production.

9 MR. JONES: Yes. As I under-
10 stand we have thirty days and we would take whatever action
11 is required in that thirty days. The only reason we
12 wouldn't sign a lease, if they don't proceed on their part
13 in line with our agreement, and if they do that, and I
14 anticipate they will, I can't see why they wouldn't.

15 MR. LYON: And Mr. Carr --

16 MR. JONES: We have had exper-
17 ience with people that don't, but I don't think it's to
18 their best interest for us to not go ahead and do what each
19 one says, and I believe in doing what I agree to do.
20 That's the difference between me and too many -- getting to
21 be too many people working today, is you can't depend on
22 them, but I'm not anticipating that problem.

23 MR. LYON: Do -- do we have
24 your mailing address? I guess it's in this exhibit, isn't
25 it?

1 MR. JONES: Box 2076. Ros-
2 well, 88202.

3 MR. LYON: We'll see that you
4 get a copy of the order and then --

5 MR. JONES: Appreciate it.

6 MR. LYON: -- you'll know for
7 sure what your rights are.

8 Anything further?

9 MR. JONES: No, that's all I
10 have.

11 MR. CARR: I have nothing
12 further.

13 MR. LYON: If there is nothing
14 further, the witness may be excused and we'll take this
15 case under advisement.

16

17 (Hearing concluded.)

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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 9586, heard by me on Jan 18 1989.

W. Boyd, Examiner
Oil Conservation Division