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MR. CATANACH: Call next Case  
Number 9181.

MR. TAYLOR: Application of  
Yates Petroleum Corporation for compulsory pooling and an  
unorthodox oil well location, Lea County, New Mexico.

MR. CATANACH: Are there  
appearances in this case?

MR. VANDIVER: Mr. Examiner, my  
name is David Vandiver of Dickerson, Fisk, & Vandiver,  
appearing on behalf of the applicant, Yates Petroleum  
Corporation.

MR. CATANACH: Are there other  
appearances in this case?

MR. BRUCE: Mr. Examiner, my  
name is Jim Bruce from the Hinkle Law Firm in Santa Fe,  
representing the Nitram Enterprises, Inc..

MR. CATANACH: How do you spell  
that, Mr. Bruce?

MR. BRUCE: N-I-T-R-A-M.

MR. TAYLOR: Do you gentlemen  
have witnesses to be sworn?

MR. VANDIVER: Two witnesses to  
be sworn, Mr. Examiner, on behalf of Yates Petroleum.

MR. CATANACH: Will the wit-

1 nesses please stand to be sworn in?

2

3

(Witnesses sworn.)

4

5

MR. VANDIVER: May I proceed?

6

MR CATANACH: Yes, you may.

7

8

SCOTT WILSON,

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

11

12

DIRECT EXAMINATION

13

BY MR. VANDIVER:

14

Q

Please state your name, occupation, and  
15 where you reside.

16

A

My name is Scott Wilson. I'm Vice Presi-  
17 dent of Rio Pecos Corporation, here on behalf of Yates Pet-  
18 roleum Corporation. I reside in Midland, Texas.

19

Q

What is your occupation?

20

A

I'm a Certified Professional Landman.

21

Q

Have you previously testified before the  
22 New Mexico Oil Conservation Division in your capacity as a  
23 petroleum landman?

24

A

Yes, I have.

25

Q

And have your qualifications been accep-

1 ted?

2 A Yes, they have.

3 Q Are you familiar with the application in  
4 this case?

5 A Yes.

6 Q And are you familiar with the status of  
7 the title to the land involved in this case?

8 A Yes.

9 MR. VANDIVER: Mr. Examiner, I  
10 would tender Mr. Wilson as an expert petroleum landman.

11 MR. CATANACH: Mr. Wilson is so  
12 qualified.

13 Q Mr. Wilson, what is the purpose of the  
14 application in this case?

15 A The application seeks to compulsory pool  
16 the west half of the southeast quarter of Section 26, Town-  
17 ship 16 South, Range 37 East, Lea County, New Mexico, being  
18 an 80-acre proration unit, for the drilling of an 11,800-  
19 foot Strawn test.

20 It also seeks the approval of an unortho-  
21 dox location for that well at a location 1850 feet from the  
22 east line and 2400 feet from the south line of Section 26.

23 It also seeks to establish reasonable  
24 costs for the drilling of the well and operating of the  
25 well, supervision, et cetera, and establish a risk factor

1 with regard to the forced pooling.

2 Q Mr. Wilson, if I could refer you to  
3 what's been marked for identification as the Applicant's Ex-  
4 hibit One, and ask you to describe what that is.

5 A Exhibit One is simply a Midland Map  
6 Company lease and mineral ownership plat for reference  
7 purposes. I've outlined in red the designated proration  
8 unit for the well and the location for the well.

9 Q All right. Is there anything else you  
10 want to point out by Exhibit One?

11 A No.

12 Q Okay. If I could refer you to what's  
13 been marked for identification as Applicant's Exhibit Two  
14 and ask you to describe for the Examiner what that is.

15 A Exhibit Number Two represents the names  
16 of the parties and companies who we initially sought or  
17 are seeking to force pool by this hearing.

18 There are fifty of them. I would like to  
19 point out that the majority of the parties listed on this  
20 schedule are actually mineral owners, with the exception of  
21 the parties listed as number 7, Nitram Enterprises, Inc.;  
22 number 11, Inexco Oil Company; number 12, EP Operating Com-  
23 pany; number 13, Mesa Operating Limited Partnership; number  
24 14, Standard Oil Production Company.

25 Those parties are leasehold owners,

1 therefore working interest owners in the drilling of this  
2 well.

3 The balance of the parties represent very  
4 small mineral interest owners. Back in the early thirties a  
5 party named Harry S. Wright conveyed roughly a one percent  
6 interest to sixty different parties and the balance of these  
7 parties represent those sixty parties that we couldn't  
8 otherwise lease or locate to lease.

9 As to the working interest owners, start-  
10 ing with Nitram Enterprises, Inc., number 7, we have offered  
11 them the opportunity to sublease, farm out, or participate.  
12 They were notified of forced pooling, I'll speak more on  
13 that later.

14 Also Inexco Oil Company, being a sub-  
15 sidiary of Louisian Land and Exploration Company, as of this  
16 morning has agreed to participate in drilling the well.

17 EP Operating Company, number 12 listed on  
18 the schedule, has tentatively agreed to sublease or farm  
19 out.

20 Number 13, Mesa Operating Limited Part-  
21 nership, has tentatively agreed to sublease subject to  
22 final management approval.

23 Number 14, Standard Oil Production Com-  
24 pany, has tentatively agreed to sublease, and that pretty  
25 well covers the working interest owners.

1           Q           So of the working interest owners the  
2 only one that you've not reached an -- that Yates has not  
3 reached an agreement with is Nitram Enterprises, Inc..

4           A           A tentative agreement with.

5           Q           Okay.

6           A           Correct.

7           Q           And the balance of the parties listed on  
8 Applicant's Exhibit Two collectively own a 1 percent mineral  
9 interest in the lands involved?

10          A           Less than 1 percent and I might add I  
11 listed them in this particular order to correspond with the  
12 order they were listed on the application.

13          Q           Have the owners of this mineral interest  
14 been involved in compulsory pooling proceedings previously?

15          A           Yes. In 1982 H. L. Brown, Junior, sought  
16 the approval of the Commission for forced pooling the -- I  
17 believe it was the west -- I believe it was the south half  
18 of the southwest quarter of Section 26 for the drilling of  
19 its M. Wright Trust No. 1 Well, which was also a Strawn  
20 test. At the time they also attempted to locate these same  
21 small mineral interest owners that we are attempting -- that  
22 we attempted to locate and they were unsuccessful in locat-  
23 ing many of them.

24                       Those that are listed as unable to locate  
25 were listed as such because in effect H. L. Brown, Junior,

1 in 1982 could not locate those parties and extensive efforts  
2 were made to locate those parties. They had a landman named  
3 Charles Qualia (sic) who did their work for them and in at-  
4 tempting to contact these parties sought information from  
5 the other parties he could contact; also ran an ad in the  
6 Mason City, Iowa, newspaper where most of these parties  
7 seemed to located, or at least in the area.

8 And after very, very diligent search, in  
9 my opinion, was unable to locate those parties.

10 Now, those parties for whom we only had a  
11 name, city, and state address, no street address, if H. L.  
12 Brown was unable to locate them, we thought it was futile  
13 for us to even attempt to locate them, so therefore we  
14 didn't try at that point.

15 Those that I did have an address for, a  
16 street address for, I did go ahead and attempt to once again  
17 locate those parties, duplicating H. L. Brown's effort, and  
18 still for the most part was unable to locate any of those  
19 parties either.

20 Also I might add that -- that particular  
21 case number, for the record, was Case Number 7425, brought  
22 before the Commission in April, 1982, or actually the order  
23 of the Commission was April the 14th, 1982.

24 I'd also like to add that I appeared be-  
25 fore the Commission here just about a month ago in Amerind

1 Case Number 9162, not on behalf of Amerind but as an  
2 opposing witness, but nevertheless, in that same case  
3 Amerind had the Harry S. Wright assignees also involved, and  
4 those same parties that H. L. Brown could not locate, they  
5 could not locate.

6 So there's been numerous attempts by  
7 other operators to locate these same parties and without  
8 success.

9 Q In the Amerind case did they mail notice  
10 to the people that could not be located in the various  
11 cities?

12 A Yes, they did.

13 Q And what was the result of their mailing?

14 A They -- the post office returned their  
15 attempted notifications.

16 Q And of the mineral owners for whom you  
17 had an address, what was the result of your mailing?

18 A The post office also returned those  
19 attempted notifications.

20 Q Now if I could refer you -- is there any-  
21 thing else you wanted to point out by Exhibit Two?

22 A No.

23 Q If I could refer you to what's been mar-  
24 ked for identification as the Applicant's Exhibit Number  
25 Three and ask you to describe what that is.

1           A           Exhibit Number Three is simply copies in  
2 chronological order of various correspondence sent out in  
3 attempts locate and lease the Harry S. Wright assignees, and  
4 we attempted to locate these parties starting in September,  
5 '86, and have continued until -- until recent times.

6                   There's numerous, numerous items of  
7 correspondence that I really see no reason to go into  
8 specifically.

9                   And also return receipts, not return  
10 receipts, but copies of the envelopes that were actually  
11 returned to us after having attempted to locate those  
12 parties we did have addresses for that H. L. Brown otherwise  
13 couldn't previously locate.

14           Q           All right. If I could refer you to  
15 what's been marked for identification as the Applicant's  
16 Exhibit Number Four and ask you to describe what that is,  
17 please.

18           A           Exhibit Number Four is a letter dated  
19 June the 30th, 1987, written by myself to the working  
20 interest owners in the south half of Section 26. I might  
21 add while I'm at it, for clarification purposes, that title  
22 is common in the south half of 26. That is when H. L.  
23 Brown, Junior, drilled their well in the south half south-  
24 west quarter of Section 26, it involved the same parties  
25 that are involved in the west half southeast quarter of Sec-

1 tion 26. They were also attempting to locate because title  
2 is common.

3 In any event, this is a letter dated June  
4 the 30th, 1987, to the working interest owners in the south  
5 half of Section 26 whereby we proposed the drilling of our  
6 well in the west half southeast quarter of Section 26 and  
7 requested that the parties either farm out, participate, or  
8 give us a sublease for \$300 per acre, delivering a 75  
9 percent net revenue interest, and delivering a 75 percent  
10 net revenue interest; if they had a larger net revenue  
11 interest they would reserve the difference as an overriding  
12 royalty.

13 We set out the farm out terms, also, in  
14 the letter. The farm out terms being Yates would pay the  
15 farming out party's share of the cost in drilling the well.  
16 In return the contributing parties, the farming out parties,  
17 would deliver a 75 percent net revenue interest prior to pay  
18 out, net pay out; would have the right to convert their  
19 override to a 25 percent working interest.

20 Q What percentage of the working interest  
21 has at this point tentatively committed to participate or  
22 farm out or give a sublease?

23 A 99.some percent. Everyone has agreed to  
24 do something with the exception of Nitram Enterprises, which  
25 has less than 1 percent. They have .93750 percent.

1           Q           All right, if I could refer you to what's  
2 been marked for identification as the applicant's Exhibit  
3 Number Five and ask you to describe what that is, please.

4           Q           Let me back up to Exhibit Number Four  
5 here --

6           Q           Okay.

7           A           -- just real quick. Also attached to  
8 this particular exhibit is an Authority for Expenditure as  
9 prepared by Yates Petroleum Corporation and a leasehold  
10 schedule setting forth the interests of the parties.

11          Q           Is there anything else you'd like to --

12          A           No.

13          Q           Okay, now if I could refer you to Exhibit  
14 Five and ask you to describe what that is, please?

15          A           Exhibit Number Five is a copy of my  
16 letter dated July the 16th, 1987, whereby we sent the  
17 working interest owners a copy of a proposed operating  
18 agreement to be entered into by the parties who elect to  
19 farm out or participate for the drilling of the well and  
20 attached to that is an abbreviated copy of the operating  
21 agreement with signature page, location for the initial test  
22 well, the nonconsent penalty of 300 percent, the casing  
23 point election. Exhibit A sets forth the interest of the  
24 parties and page three of the accounting procedure sets  
25 forth the overhead rates, and I might add that no one, none

1 of the 99 percent interest owned by the various working  
2 interest owners have objected to the 300 percent nonconsent  
3 penalty, nor the overhead rates, being \$5400 for a drilling  
4 well and \$540 for producing well.

5 Q Okay, is there anything else about  
6 Exhibit Five?

7 A No.

8 Q All right, if I could -- I don't believe  
9 you have a copy, but if I could refer the Examiner to  
10 Exhibit Six, Applicant's Exhibit Six, and ask you to  
11 describe for the Examiner what that exhibit is?

12 A Exhibit Six is simply an affidavit on my  
13 part that sets forth the names of the parties that we  
14 otherwise are seeking to force pool, that we were able to  
15 locate, and also the names of the parties that we otherwise  
16 are seeking to force pool that we were not able to locate,  
17 and indicates that I made a diligent attempt based upon --  
18 well, made a diligent attempt to contact those parties, if  
19 the effort was warranted.

20 MR. VANDIVER: Mr. Examiner,  
21 I'll move the admission of Applicant's Exhibits One through  
22 Six.

23 MR. CATANACH: Exhibits One  
24 through Six will be admitted into evidence.

25 MR. VANDIVER: And I'll pass

1 the witness.

2 MR. CATANACH: Mr. Bruce, any  
3 questions?

4 MR. BRUCE: Just one.

5

6

CROSS EXAMINATION

7 BY MR. BRUCE:

8 Q Mr. Wilson, other than your letter dated  
9 June 30th, '87, have you made any other contacts with Nitram  
10 Enterprises?

11 A No. Matter of fact I would have liked to  
12 have done so but all I had was a post office box for Nitram  
13 Enterprises. I had no idea until a few days ago who Nitram  
14 Enterprises even was, being Mr. C. D. Martin. I checked the  
15 telephone directory in Midland, Texas, and there is no list-  
16 ing in the telephone directory in Midland, Texas, for Nitram  
17 Enterprises.

18 I checked the Armstrong Oil Directory and  
19 Nitram Enterprises is not listed in the Armstrong Oil Direc-  
20 tory.

21 So other than that particular letter I  
22 had no way of contacting Nitram Enterprises. In fact my  
23 first contact from them was on July the 22nd.

24 But I did make an attempt to contact them  
25 without success, as I attempted to contact and did contact

1 all of the other working interest owners.

2 Q But you didn't send any other letters.

3 A No, I didn't.

4 MR. CATANACH: Mr. Vandiver, is  
5 your other witness going to be able to testify as far as the  
6 geologic risk?

7 MR. VANDIVER: Yes, sir.

8 MR. CATANACH: And the overhead  
9 rates, or should I address any questions about the overhead  
10 rates to Mr. Wilson?

11 MR. VANDIVER: I think you  
12 should address your questions to Mr. Wilson.

13

14 CROSS EXAMINATION

15 BY MR. CATANACH:

16 Q Okay, Mr. Wilson, what are your overhead  
17 rates based on at this point? How did you come up with the  
18 figures?

19 A The overhead rates, as I understand it,  
20 and I didn't base the overhead rates on anything, let me  
21 make it clear. These are overhead rates established by  
22 Yates Petroleum Corporation, but they are based upon Yates  
23 Petroleum Corporation's drilling experience in the area and  
24 they have drilled approximately 10 Strawn tests in the area  
25 to date, or been involved whether they operated or not.

1                   Let me back up. They didn't -- they have  
2 not necessarily operated but they have had working interest  
3 in about 10 Strawn tests in the area to date and based upon  
4 their working interest in those 10 Strawn tests, I assume,  
5 and I can only assume because, as I said, I'm not the one  
6 that came up with the rates, I assume that these rates are  
7 based upon their experience in the area, what other people  
8 have charged and what they feel is reasonable.

9                   And as I did mention, this operating  
10 agreement has gone out to the other working interest owners  
11 and none of the other owners representing 99 percent of the  
12 interest to date have expressed any objections at all to the  
13 overhead rates.

14   MR. CATANACH: I don't have any  
15 more questions at this time.

16   The witness may be excused.

17   MR. VANDIVER: May I proceed?

18   MR. CATANACH: Go ahead.

19

20

NORBERT T. REMPE,

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

23

24

25

## DIRECT EXAMINATION

1  
2 BY MR. VANDIVER:

3 Q Please state your name, your occupation,  
4 and by whom you're employed.

5 A My name is Norbert T. Rempe. I'm a  
6 geologist and I'm employed by Yates Petroleum Corporation in  
7 Artesia, New Mexico.

8 Q Mr. Rempe, have you previously appeared  
9 before the Oil Conservation Division as a geologist and had  
10 your qualifications accepted by the Division?

11 A Yes.

12 Q Are you -- have you made an evaluation of  
13 the available geological data in connection with Yates ap-  
14 plication in this case?

15 A Yes, I have.

16 MR. VANDIVER: Mr. Examiner, I  
17 would tender the witness as an expert petroleum geologist.

18 MR. CATANACH: He is so quali-  
19 fied.

20 Q Mr. Rempe, if I could refer you to the  
21 Applicant's Exhibit Seven in this case and ask you to de-  
22 scribe what that is.

23 A Exhibit Number Seven shows a section of  
24 the Northeast Lovington Strawn area and surrounded by red  
25 lines the three producing mounds within the Strawn reser-

1    voir.    One is known as the Casey Field in the south half of  
2    27 and the north half of Section 34.

3                    Then west of that in Section 33 there's a  
4    2-well field known as the West Casey Field and the third  
5    field outlined by a red margin is part of the Northeast  
6    Lovington Strawn Field.

7                    The location for the proposed well is  
8    indicated by a double circle just about in the center of  
9    Section 26.

10                   So this exhibit shows that production is  
11   scattered and limited to certain isolated mounds. We do not  
12   have continuous production throughout the area. It is in  
13   isolated spots.

14                   Q            What is the distance of your proposed  
15   location from the closest Strawn producer in the area?

16                   A            It's a little bit over half a mile.

17                   Q            And your proposed location is within --  
18   within a mile of the Casey Strawn Pool.

19                   A            That's correct.

20                   Q            Is there anything else you want to point  
21   out by --

22                   A            No.

23                   Q            All right, if I can refer you to the  
24   Applicant's Exhibit Eight and ask you to describe what that  
25   is, please?

1           A           Exhibit Number Eight shows Section 26 in  
2 Township 16 South, Range 37 East, and the half sections sur-  
3 rounding that section. It is a map. It is a structure map  
4 drawm on the top of the Strawn Limestone, which is the main  
5 producing formation in the area.

6                   This map is based to a large extent on  
7 the results of a geophysical work and the seismic lines are  
8 depicted within Section 26 by the straight lines with the  
9 little circles, indicating the shot points.

10                   You notice that one seismic line goes  
11 diagonally from the northwest to the southeast and goes  
12 straight through the proposed location indicated on the map  
13 by a solid black dot.

14                   The map also shows four wells of the ad-  
15 jacent Casey Field mentioned before to the southwest of the  
16 proposed location.

17           Q           What is the purpose of your unorthodox  
18 location?

19           A           When you drill based on seismic in the  
20 Northeast Lovington Strawn area, and that includes the Casey  
21 and the Humble City and the Shipp and a couple other little  
22 fields, you better drill right on the sweet spot. If you  
23 don't, some of these mounds are so small you might just  
24 drill right off the mound and Yates actually has drilled at  
25 least two wells that I know of not exactly on the best spot

1 indicated by seismic and as a result of that failed in mak-  
2 ing a producer.

3 We feel that we have to drill in exactly  
4 the best spot in order to have a reasonable rate, reasonable  
5 expectation of success.

6 That's why we need -- that's why we are  
7 applying for an unorthodox location in this case, because  
8 that's what the seismic indicates.

9 Q Is there one such well in Section 26  
10 drilled by Yates?

11 A Yes, that is correct, and that is the  
12 Brown AI No. 1, which is the dry hole location to the  
13 northeast of the proposed location that was just drilled in  
14 March of this year and it ended up dry; however, we do have  
15 indications within this well, we can talk about this when we  
16 look at the next exhibit, that we are close to a mound.

17 Q All right, is there anything else you  
18 want to point out about Exhibit Eight?

19 A No.

20 Q Okay, if I could refer you, then, to  
21 Applicant's Exhibit Nine and ask you to describe what that  
22 is, please.

23 A In the lower right corner of Exhibit Nine  
24 is a location map and Exhibit Nine itself is a cross  
25 section. Up on the top of the large cross section from A to

1 A' it goes from the southwest to the northeast, roughly, of  
2 Section 26, and the two end points of that cross section are  
3 two dry holes; in the southwest the H. L. Brown Jr. AI Trust  
4 No. 1 and in the northeast the aforementioned Yates  
5 Petroleum Brown AI No. 1, also a dry hole.

6           What this section shows is that in the  
7 Yates Brown AI NO. 1 we have an abnormally thick Lower  
8 Strawn section, which is usually an indication of being  
9 close to a mound that would have porosity and therefore an  
10 oil reservoir.

11           We also see in that same log indications  
12 for at least incipient fractures or fracture porosity, and  
13 whenever we have this in a log we're usually close to a  
14 mound as well.

15           Then going up dip from that we postulate  
16 that we're actually increasing the thickness of the Lower  
17 Strawn by some amount and that therefore we have an  
18 excellent chance of hitting some porosity within that Lower  
19 Strawn interval, as well.

20           In the H. L. Brown Well you may notice  
21 some incipient porosity, as well. We believe, based on the  
22 seismic that we shot over the whole section and that we also  
23 traded for some of the line, that this well is actually on  
24 the fringe of another mound which is actually the Casey  
25 Field that is to the southwest of our proposed location.

1                   Furthermore, on this Exhibit Number Nine  
2 you see in the lower left a stratigraphic model of a Strawn  
3 mound as indicated by seismic modeling and this is a  
4 conceptual drawing what we think the situation over the  
5 proposed location looks like and I refer you to the index  
6 map again, the picture as shown here would be cross section  
7 B-B', going from the northwest to the southeast, and this is  
8 strictly a computer model. This is what we think is there  
9 based on some assumptions, but this is our mental picture of  
10 what we expect once we drill -- what we expect to find once  
11 we drill the proposed well.

12                   Q           Is there anything else you wanted to  
13 point out about Exhibit Nine?

14                   A           No.

15                   Q           Mr. Rempe, based upon your examination of  
16 the available geological data, have you formed an opinion  
17 concerning the risk involved in drilling your proposed well?

18                   A           Yes, there are several risks involved.

19                                 First, the common risk that even in a  
20 mound of porosity you can drill through a tight spot right  
21 within the porosity. Those instances have happened and they  
22 are possible.

23                                 Furthermore, referring you back to  
24 Exhibit Number Eight, it shows very clearly that the  
25 proposed location is a step-out by about 3/4 of a mile from

1 existing production. We have dry holes all around the  
2 proposed location. That means several people have tried to  
3 hit the Strawn reservoir and haven't found it.

4 Furthermore, all the way out toward the  
5 east from the Casey Field there is no established production  
6 yet, so there could be considerable risk involved in  
7 drilling this location.

8 Q Based upon these factors have you formed  
9 an opinion as to the appropriate penalty that should be  
10 ordered in this case for parties compulsorily pooled?

11 A Yes. If I am informed correctly, the H.  
12 L. Brown Wright Trust No. 1 had established a 200 percent  
13 penalty and I believe that the same is justified for our  
14 proposed location.

15 Q Mr. Rempe, will approval of this applica-  
16 tion afford the applicant opportunity to produce its just  
17 and fair share of oil and gas, prevent economic loss caused  
18 by drilling unnecessary wells, avoid the augmentation of  
19 risk arising from drilling an excessive number of wells, and  
20 prevent waste and protect correlative rights?

21 A Yes, in my opinion, it will.

22 MR. VANDIVER: Mr. Examiner,  
23 I'll move admission of Applicant's Exhibits Seven, Eight,  
24 and Nine.

25 MR. CATANACH: Exhibits Seven

1 and Nine will be admitted into evidence.

2 MR. VANDIVER: And pass the  
3 witness.

4 MR. CATANACH: Mr. Bruce.

5 MR. BRUCE: I don't have any  
6 questions, Mr. Examiner.

7

8

CROSS EXAMINATION

9 BY MR. CATANACH:

10 Q Mr. Rempe, this would be a new structure  
11 that hasn't been defined as of yet by any producing wells,  
12 isn't it?

13 A Not by producing wells. It has been  
14 defined by seismic.

15 Q By seismic. This would be typical of the  
16 mounds in this area. It would be not connected to any of  
17 the production in the other pools (Unclear.)

18 A That is right; in that sense it would be  
19 typical, yes.

20 Q Mr. Rempe, in your application you are  
21 seeking to pool a 40-acre proration unit and an 80. What's  
22 -- what's the purpose of pooling the 40?

23 A I believe that would be for possible  
24 back-up zones further up the hole but I don't really con-  
25 sider myself qualified to answer that question.

1 Q Do you know if there are any 40-acre oil  
2 pools in this area?

3 A I believe the Drinkard and the Abo may be  
4 two. Both of those formations produce in this vicinity.

5 MR. DICKERSON: Mr. Examiner,  
6 the purpose of that is only to take into account the  
7 possibility that some zone up the hole may be completed for  
8 which the special pool rules would not apply on 80-acre  
9 spacing.

10 MR. CATANACH: Thank you, Mr.  
11 Dickerson.

12 I don't think I have any more  
13 questions of the witness at this time.

14 He may be excused.

15 Mr. Vandiver, your application  
16 is also for an unorthodox location. Let me ask you, who  
17 owns the -- who owns the interest in the north half of Sec-  
18 tion 26?

19 MR. VANDIVER: I believe Yates  
20 Petroleum Corporation and other in-house entities own -- is  
21 that correct?

22 MR. WILSON: Yes, Yates Petro-  
23 leum Corporation owns the leasehold, 100 percent of the  
24 leasehold.

25 The minerals are owned by Tom

1 Brown, Inc., 50 percent, and H. L. Brown, Jr., 50 percent.

2 MR. VANDIVER: We also notified  
3 the mineral owners of this hearing.

4 MR. WILSON: They're very much  
5 aware of this unorthodox location. In fact, both of them  
6 recently granted lease extensions so that we could pursue  
7 and drill this well at this location and we have no objec-  
8 tions.

9 MR. CATANACH: Would counsel  
10 like to make closing statements?

11 Mr. Bruce?

12 MR. BRUCE: Just very briefly,  
13 Mr. Examiner.

14 My client, Nitram Enterprises,  
15 is appearing merely because they have not had time to review  
16 the well proposal and they do not believe they have suffi-  
17 cient information to decide whether to join in the well or  
18 go nonconsent or sublease or farm out.

19 However, Nitram Enterprises  
20 does not object to the proposed unorthodox location.

21 MR. CATANACH: Mr. Bruce,  
22 you're not -- was -- was notice to your client sufficient,  
23 as far as you're concerned?

24 MR. BRUCE: Well, the notice of  
25 the hearing was. I have questions about whether sufficient

1 attempt was made to get them to join in the well.

2 MR. CATANACH: Mr. Vandiver,  
3 anything further?

4 MR. VANDIVER: Mr. Examiner,  
5 I'd simply state that I think there is substantial evidence  
6 to show the need for the proposed unorthodox location; that  
7 the risk involved in drilling this well is substantial and  
8 think the 200 percent penalty is warranted.

9 The applicant made diligent ef-  
10 forts to locate and notify all of the parties to be compul-  
11 sorily pooled, including the working interest owners, and  
12 would ask that the application be granted in every respect.

13 MR. CATANACH: Thank you.

14 Is there anything further in  
15 Case 9181?

16 If not, it will be taken under  
17 advisement.

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19 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY 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. 9181  
heard by me on 7/29/ 1987.

David R. Cotnam, Examiner  
Oil Conservation Division