

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 24 May 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 In the matter of cases called on this
10 date and continued or dismissed with-
11 out testimony presented.

CASES
9675
9109
9572
9573
9682
9683

12
13 BEFORE: David R. Catanach, Examiner
14

15 TRANSCRIPT OF HEARING
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17 A P P E A R A N C E S
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19 For the Division:
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I N D E X

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CASE 9675

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CASE 9109

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CASE 9572

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CASE 9573

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CASE 9682

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CASE 9683

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1 MR. CATANACH: Call this
2 hearing to order this morning for Docket No. 16-89.

3 Call the continuances first
4 this morning.

5 I'll call Case 9675. Appli-
6 cation of Yates Petroleum Corporation for compulsory
7 pooling, Chaves County, New Mexico.

8 This case will be continued to
9 June 7th, 1989.

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11 (Hearing concluded.)

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1 MR. CATANACH: Case 9109.

2 In the matter of Case 9109 being reopened pursuant to the
3 provisions of Division Orders No. R-6129-A and R-8446,
4 whereby the Benson-Strawn Pool was redesignated as a gas
5 pool and developed on the statewide 320-acre spacing units,
6 Eddy County, New Mexico.

7 This case will be continued to
8 June 21st, 1989.

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10 (Hearing concluded.)
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MR. CATANACH: Case 9572.

The application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico.

This case will be continued to August 23rd, 1989.

(Hearing concluded.)

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MR. CATANACH: Case 9573.

The application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico.

This case will also be continued to August 23rd, 1989.

(Hearing concluded.)

1 MR. CATANACH: Case 9682. The
2 application of Kerr-McGee Corporation for statutory uniti-
3 zation, Chaves County, New Mexico.

4 This case will be continued to
5 June 7th, 1989.

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7 (Hearing concluded.)
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1 MR. CATANACH: Case 9683. The
2 application of Kerr McGee Corporation for a waterflood pro-
3 ject, Chaves County, New Mexico.

4 This case will be continued to
5 June 7th, 1989.

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7 (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 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. _____ heard by me on May 24, 1949.
David R. Catamb, Examiner
Oil Conservation Division

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 21 June 1989

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Yates Petroleum Corp- CASE
10 oration for a unit agreement, Lea 9689
11 County, New Mexico, and

12 Application of Yates Petroleum Corp- 9691
13 oration for a unit agreement, Lea
14 County, New Mexico, and

15 Application of Yates Petroleum Corp- 9675
16 oration for compulsory pooling, Chaves
17 County, New Mexico.

18 BEFORE: David R. Catanach, Examiner

19 TRANSCRIPT OF HEARING

20 A P P E A R A N C E S

21 For the Division: Robert G. Stovall
22 Attorney at Law
23 Legal Counsel to the Division
24 State Land Office Building
25 Santa Fe, New Mexico

For the Applicant:

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CASE NO. 9689

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CASE NO. 9691

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CASE NO. 9675

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MR. CATANACH: At this time we'll call Case 9689.

MR. STOVALL: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.

Applicant requests this case be continued to July 12th, 1989.

MR. CATANACH: Case 9689 is hereby continued to the July 12th docket.

(Hearing concluded.)

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MR. CATANACH: Call next Case 9691.

MR. STOVALL: Application of Yates Petroleum Corporation for a unit agreement, Lea County, New Mexico.

Applicant requests this case be continued to July 12th, 1989.

MR. CATANACH: Case 9691 is hereby continued to the July 12th docket.

(Hearing concluded)

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MR. CATANACH: Call Case 9675.

MR. STOVALL: Application of
Yates Petroleum Corporation for compulsory pooling, Chaves
County, New Mexico.

Applicant requests this case
be continued to July 12th, 1989.

MR. CATANACH: Case 9675 is
hereby continued to the July 12th docket.

(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 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. 9689, 9691, 9675 heard by me on June 21 19 88.
David R. Catant, Examiner
Oil Conservation Division

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
7 7 June 1989

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 Application of Yates Petroleum Corp- CASE
11 oration for compulsory pooling, Chaves 9675
12 County, New Mexico.

13 BEFORE: Michael E. Stogner, Examiner

14 TRANSCRIPT OF HEARING

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

16 For the Division:

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

22 For Yates Petroleum
23 Corporation:

24 David R. Vandiver
25 Attorney at Law
26 FISK, VANDIVER & CATRON
27 Seventh & Mahone/Suite E
28 Artesia, New Mexico 88210

29 For Marsh Operating
30 Company:

31 James Bruce
32 Attorney at Law
33 HINKLE LAW FIRM
34 500 Marquette N. W. Suite 740
35 Albuquerque, New Mexico 87102

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I N D E X

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CY COWAN

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Direct Examination by Mr. Vandiver 5

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Cross Examination by Mr. Stogner 16

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Cross Examination by Mr. Stovall 18

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STATEMENT BY MR. BRUCE 22

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Direct Examination by Mr. Vandiver 31

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Cross Examination by Mr. Stogner 37

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THERESA PADILLA

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Direct Examination by Mr. Vandiver 41

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E X H I B I T S

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Yates Exhibit One, Land Plat 7

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Yates Exhibit Two, Letter 8

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Yates Exhibit Three, Affidavit 9

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Yates Exhibit Four, Letter 10

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Yates Exhibit Five, Notice 11

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Yates Exhibit Six, Letter 12

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Yates Exhibit Seven, AFE 13

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E X H I B I T S Cont'd

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1 MR. STOGNER: Call next Case
2 Number 9675.

3 MR. STOVALL: Application of
4 Yates Petroleum Corporation for compulsory pooling, Chaves
5 County, New Mexico.

6 MR. STOGNER: Call for appear-
7 ances.

8 MR. VANDIVER: Mr. Examiner,
9 David Vandiver on behalf of Yates Petroleum Corporation and
10 I'm apparently missing a couple of witnesses and I'd appre-
11 ciate it if you'd pass us and go on with the next case.

12 MR. STOGNER: Thank you, Mr.
13 Vandiver.

14
15 (NOTE: At this time Case 9675 was passed over until later
16 on the same date.)

17
18 MR. STOGNER: Okay, at this
19 time we'll go back and call 9675.

20 Let the record show that we
21 called this case.

22 Call for appearances at this
23 time.

24

25

1 MR. VANDIVER: Mr. Examiner,
2 David Vandiver, Fisk, Vandiver & Catron in Artesia, on
3 behalf of the applicant, Yates Petroleum Corporation, and
4 I have three witnesses.

5 MR. STOGNER: Are there any
6 other appearances in this matter?

7 Will the witnesses please
8 stand to be sworn at this time?

9

10 (Witnesses sworn.)

11

12 MR. VANDIVER: May I proceed,
13 Mr. Examiner?

14 MR. STOGNER: Yes, please.

15

16

17 CY COWAN,
18 being called as a witness and being duly sworn upon his
19 oath, testified as follows, to-wit:

19

20

DIRECT EXAMINATION

21

BY MR. VANDIVER:

22

23 Q What is your name, occupation and by
whom are you employed?

24

25 A My name is Cy Cowan. I'm Associate
Landman with Yates Petroleum Corporation in Artesia, New

1 Mexico.

2 Q How long have you been so employed?

3 A I've been with Yates Petroleum for 8
4 years, 7 years as a permit agent and a year as Associate
5 Landman.

6 Q And are you familiar with the applica-
7 tion of Yates Petroleum in this case and the title to the
8 land in question?

9 A Yes, I am.

10 Q In the recent past have you testified as
11 an expert petroleum landman before the New Mexico Oil Con-
12 servation Division and had your qualifications accepted and
13 are your qualifications a matter of record in the Oil Con-
14 servation Division?

15 A Yes, they are.

16 MR. VANDIVER: Mr. Examiner,
17 is the witness qualified?

18 MR. STOGNER: They are.

19 Q Mr. Cowan, what is the purpose of Yates
20 Petroleum Corporation's application in Case Number 9675?

21 A Yates Petroleum Corporation is seeking
22 an order pooling all mineral interests in the surface to
23 the base of the Abo formation underlying the northwest
24 quarter of Section 20, Township 6 South, Range 25 East,
25 forming a standard 160-acre spacing proration unit for any

1 and all formations and all pools within said vertical ex-
2 tent developed on 160-acre spacing, which includes, but not
3 necessarily limited to the Pecos Slope Abo Pool, and the
4 northeast of the northwest quarter of said Section 20 to
5 form a standard 40-acre spacing and proration unit for all
6 formations and other pools developed on a statewide 40-acre
7 spacing.

8 Both units are to be dedicated to a well
9 to be drilled at a standard location at 660 feet from the
10 north line, 1980 feet from the west line, unit letter C of
11 said Section 20.

12 Also to be considered will be the cost
13 of drilling and completing said well and the allocation of
14 costs thereof, as well as the actual operating costs and
15 charges for supervision, designation of the applicant as
16 operator of the well, and a charge of risk involved in
17 drilling said well.

18 This well is located approximately 8-1/2
19 miles east of Milepost 137 on US Highway 285 north of Ros-
20 well, New Mexico.

21 Q Mr. Cowan, if could refer you to what's
22 been marked for identification as applicant's Exhibit One
23 and ask you to describe what that is.

24 A Exhibit One is a land plat of Section
25 20, Township 6 South, Range 25 East, showing the location

1 of the Geneva UI Well located 660 from the north, 1980 from
2 the west.

3 The plat shows 160-acre spacing unit,
4 also including an east half of the northwest quarter,
5 Yates' Petroleum's expiring fee lease, which is due to ex-
6 pire on June 12th of this year.

7 Q Mr. Cowan, Yates Petroleum Corporation
8 owns what percentage of the working interest in the pro-
9 posed well?

10 A Yates Petroleum and their entities own 5
11 percent of the working interest; therefore they'd like to
12 determined or designated as operator of the said well.

13 Q And there are other parties other than
14 Yates Petroleum Corporation and affiliated entities that
15 own working interests in the proposed spacing unit?

16 A Yes, sir.

17 Q Have all of these other working interest
18 owners agreed to join in drilling the well?

19 A Yes, all of them have except for three
20 companies or individuals.

21 Q Have you contacted all the parties with
22 regard to your proposed -- your proposed operations and re-
23 quested them to participate?

24 A Yes, sir. Exhibit Two, dated April 26,
25 1989, was a letter sent out to all working interest owners

1 describing the well and enclosing an AFE and asking them to
2 join with us drilling this well, noting that we must spud
3 before June 12th, 1989.

4 Q If I could back up just a minute, was
5 Exhibit One prepared by you or under your supervision?

6 A Yes, it was.

7 Q And does Exhibit Two reflect those
8 parties to whom this well proposal was made?

9 A Yes, it does.

10 Q On the second page?

11 A On the second page there's a list of
12 working interest owners and addresses.

13 Q Is -- is the list of all working inter-
14 est owners correct, to your knowledge, as shown on page 2
15 of the exhibit?

16 A No. There was some confusion concerning
17 Mercury Exploration Company's interest.

18 Q We'll get to that later. Now if I could
19 refer you to what's been marked for identification as ap-
20 plicant's Exhibit Three and ask you what that is.

21 A Exhibit Number Three is an affidavit of
22 mailing of the forced pooling notice to all working inter-
23 est owners and it was dated and sent May 5th -- I mean,
24 excuse me, May 1st, 1989.

25 Q All right. Which parties among the

1 other working interest owners have not agreed to partici-
2 pate in drilling Yates' proposed well?

3 A Figgie, F-I-G-G-I-E, Natural Resources
4 of Richmond, Virginia.

5 Mr. Kemp McMillan and Mrs. Geneva Brad-
6 shaw have not agreed to join us in this well at this time.

7 Q Have all the other working interest
8 owners executed Yates Petroleum Corporation's AFE and oper-
9 ating agreement for the Geneva UI No. 1 Well?

10 A Yes, sir.

11 Q If I could refer you to what's been
12 marked for identification as applicant's Exhibit Four and
13 ask you what that is.

14 A Exhibit Four is a letter dated June 2nd,
15 1989 to Figgie Natural Resources, Incorporated. Originally
16 when we sent these notices out back in April this notice
17 was sent to Mercury Exploration, who sold their interest to
18 Figgie. We were not aware of this at the time.

19 On June 2nd a Mr. Burton Brown called
20 Yates Petroleum and said that he just received this notice
21 on June 2nd and discussed it with our landman and this
22 letter was sent to Mr. Figgie outlining our proposal and
23 asking them to join in drilling this well.

24 Q When you say Figgie Natural Resources
25 received a notice, what do you -- what notice do you mean?

1 A Apparently Mercury Exploration sat on
2 the proposal package that we sent to them for about a month
3 and this package was just the drilling proposal. It did
4 not include the forced pooling notice, as far as we know.

5 Q And what the letter which is referred to
6 as Exhibit Four prepared by the Yates Petroleum Corporation
7 Land Department?

8 A Yes, it was.

9 Q And what has Figgie Natural Resources,
10 Inc.'s response been to Yates' proposal to drill this well?

11 A At this time they said they had not had
12 enough time to decide if they want to join or farmout in
13 this well proposal since they just received it actually on
14 June 2nd.

15 Q All right.

16 A They had not had enough time to review
17 the prospect.

18 Q All right. If I could refer you to
19 what's been marked for identification as applicant's
20 Exhibit Five and ask you to describe what that is.

21 A This is a notice of forced pooling that
22 was sent to Figgie dated 6-7-1989, notifying them of the
23 forced pooling.

24 Q All right. Does Geneva Bradshaw own a
25 working interest in the proposed spacing unit for the

1 Geneva UI No. 1 Well?

2 A Yes sir.

3 Q She's an unleased mineral owner, is she
4 not?

5 A That is correct.

6 Q I refer you to what's been marked for
7 identification as applicant's Exhibit Six and ask you to
8 describe what that is.

9 A Exhibit Six is a letter dated May 19,
10 1989, to Ms. Geneva Bradshaw apologizing to her for not
11 being able to contact her by finding her addressed and en-
12 closing to her an offer to join with us in drilling this
13 well and also sent her a copy of the forced pooling notice.

14 Ms. Bradshaw sent back a lease to us.
15 Unfortunately it was incorrectly described. She just put
16 the section that we -- that she was leasing to us. She
17 left out the township and range on this; therefore we found
18 the lease to be void at this time. We sent it back to our
19 broker, who is in contact with Ms. Bradshaw, getting this
20 matter straightened out, but we are certain that Ms. Brad-
21 shaw will execute a lease to us.

22 Q You mean she originally executed a lease
23 which contains an incorrect legal description?

24 A Yes, that is correct.

25 Q And you feel that she's probably going

1 to sign a valid lease but you're uncertain at this time?

2 A That is correct.

3 Q And you're asking that her interest be
4 force pooled?

5 A Yes, sir.

6 Q And what is the reason for the recent
7 contact made with Mrs. Bradshaw?

8 A To get her to just send us a corrected
9 lease back to us.

10 Q Why was she not contacted earlier?

11 A We had a difficult time finding her
12 whereabouts.

13 Q How long has Yates Petroleum Corporation
14 been searching for Mrs. Bradshaw?

15 A From whenever our first -- April 24th,
16 and possibly before that, until May 19th we'd been trying
17 to contact her.

18 We sent her the letter and she received
19 it on May 24th and sent us our return receipt back and all.

20 Q Had efforts been made to contact -- to
21 find Geneva Bradshaw prior to April, 1989?

22 A I don't know.

23 Q If I could refer you to what's been
24 marked for identification as applicant's Exhibit Seven and
25 ask you to describe what that is.

1 A Exhibit Number Seven is an Authority for
2 Expenditure, an AFE, for the Geneva UI No. 1 Well and it
3 shows a drilling cost for a dry hole as \$163,300 and for a
4 completed well, \$288,000.

5 Q All right. Now if I could refer you to
6 what's been marked for identification as the applicant's
7 Exhibit Eight and ask you describe what that is?

8 A Exhibit Eight is our standard AAPL Form
9 610, 1977 Model Form operating agreement for the Geneva UI
10 No. 1, dated April 24th, 1989, designating Yates Petroleum
11 Corporation as the operator under the contract area of
12 Township 6 South, Range 25 East, Section 20, the northwest
13 quarter, of Chaves County, New Mexico.

14 Q And does Exhibit A of that operating
15 agreement set forth the working interest ownership to this
16 well?

17 A Yes. It shows the leasehold and per-
18 centage of interest of the parties and how the costs will
19 be paid.

20 These leases are 100 percent fee leases.

21 Q If I could refer you, Mr. Cowan, to the
22 accounting procedure, Exhibit C, page 3, and ask you what's
23 your proposed overhead rate as set forth in the operating
24 agreement.

25 A Yes, sir, our overhead rates for a

1 drilling well rate per month is \$3500; producing well rate
2 is \$350.

3 Q And what's the basis for those rates?

4 A These rates are based on wells that have
5 been drilled in this area in Chaves County for a well this
6 deep. I believe it's a 4250 foot well.

7 Q And are you requesting the Division to
8 award you as to the force pooled parties a reasonable
9 supervision charge based upon the overhead rates set forth
10 in the operating agreement?

11 A Yes, sir.

12 Q And all other working interest owners
13 joining in the well have signed this operating agreement
14 and agreed to those supervision charges?

15 A Yes, sir.

16 Q Were Exhibits One through Eight prepared
17 by you or under your supervision or the Yates Petroleum
18 Corporation Land Department?

19 A Yes, they were.

20 MR. VANDIVER: Mr. Examiner,
21 applicant will move admission of applicant's Exhibits One
22 through Eight.

23 Exhibits One through Eight
24 will be admitted into evidence.

25

1 CROSS EXAMINATION

2 BY MR. STOGNER:

3 Q Mr. Cowan, I'm a little confused here.
4 Where does Mrs. Bradshaw come in on this?

5 A Mrs. Bradshaw has a leasehold interest.

6 MR. STOVALL: Mr. Examiner, I
7 want to make sure we're talking the right terms here.8 When you say she's got a
9 leasehold interest, is she the fee owner of the minerals?

10 A Yes.

11 MR. STOVALL: Okay, so she
12 actually owns the fee interest, not a leasehold interest,
13 is that correct?

14 A Excuse me, fee. Yes, sir, thank you.

15 MR. STOVALL: I'm sorry to
16 interrupt you.17 MR. STOGNER: I appreciate it,
18 for getting me straightened out on that.19 Q On the Exhibit A of your operating
20 agreement, which is Exhibit Number Eight, you have a break-
21 down of participating acres and percent of the unit. Now,
22 this is based on 160-acre spacing, is that correct?

23 A Yes, sir.

24 Q How is this broke out as far as if this
25 well is completed as a 40-acre oil proration unit? Appear-

1 ing to me, when I look at Exhibit Number One, it looks like
2 there are some divided interests. This is not common
3 throughout the whole quarter section, is it?

4 A No, it wouldn't be.

5 Q Do you have a breakdown on 40 acres?

6 A No, I don't.

7 MR. VANDIVER: Mr. Examiner, I
8 think it says the leases in the east half northwest quarter
9 are owned entirely by Yates Petroleum Corporation, Yates
10 Drilling Company, Abo Petroleum Corporation, and MYCO
11 Industries, Inc., James C. Crane and Marsh Operating Com-
12 pany, and if you would double those parties' interests as
13 shown on Exhibit A, that would be their interest: Yates
14 Petroleum Corporation, 20 percent; Yates Drilling Company,
15 Abo Petroleum Corporation and MYCO Industries, Inc., each,
16 10 percent; James C. Crane, 25 percent; Marsh Operating
17 Company, 25 percent.

18 MR. STOGNER: Okay, now have
19 the Crane interest and the Marsh interest agreed to this
20 well yet?

21 A Yes, they have.

22 Q And so has all the Yates' interests, is
23 that correct?

24 A That is correct.

25 Q So there is nobody being force pooled in

1 40 acres, is that correct, Mr. Cowan, or am I missing
2 something?

3 A That is correct.

4 Q How about Mrs. Bradshaw?

5 A Mrs. Bradshaw, I believe, will be --
6 will come under the Marsh Operating agreement.

7 MR. VANDIVER: Her mineral
8 interest is in the east half of the northwest quarter, Mr.
9 Examiner.

10 MR. STOVALL: I think I'll ask
11 you a few more questions with regard to a couple of these
12 leases. We've got some questions on that.

13

14 CROSS EXAMINATION

15 BY MR. STOVALL:

16 Q Let me get my exhibits straight here can
17 remember who we're talking about.

18 We're talking about a Geneva what's her
19 name, Bradshaw, is that correct?

20 A That is correct.

21 Q Okay, now you say Mrs. Bradshaw owns fee
22 acreage in the northwest quarter?

23 A Yes, sir.

24 Q (Not clearly understood) maps. She owns
25 fee acreage in the northwest quarter.

1 A That is correct.

2 Q Uniform throughout or just within a
3 portion of that quarter?

4 A I'm showing on my description that in
5 the east half of the northwest she owns 20 net acres.

6 Q That's an undivided 20 net acres in the
7 east half of the northwest?

8 A Yes.

9 Q Okay, so she would be in a 40-acre oil
10 well proration unit as well as in a 160-acre gas proration
11 unit, is that correct?

12 A Yes, sir.

13 Q Therefore, at this time you would seek
14 to pool her into both the 40-acre oil well and 160-acre gas
15 well, is that correct?

16 A Yes, sir.

17 Q Now, where does -- where does -- you've
18 mentioned the Marsh Operating, where does she fit into the
19 Marsh Operating agreement (not clearly audible)?

20 A I believe she has leased her minerals to
21 Marsh

22 Q Well, I thought you indicated that she
23 was going to send you a lease, that she'd sent you a lease
24 and --

25 A I believe she sent us a lease through a

1 broker and I believe the broker was acting on behalf of
2 Marsh. She is tied in with that.

3 Q Do you know at this time whether Mrs.
4 Bradshaw's interests are actually leased or not under --
5 under a valid lease to anybody?

6 A At this time I do not know.

7 We had a lease executed to us or Marsh
8 from Mrs. Bradshaw but it had inaccurate description. She
9 just put the sections on there. She did not include a
10 township and range on the lease, so we --

11 Q Well, that -- okay, I'm sorry.

12 A I'm sorry.

13 Q This is the one you referred to before
14 and you --

15 A Yes, sir, that is correct. So we decided
16 it was invalid or void so we sent it back to our broker who
17 is in contact.

18 Q Now is your broker trying to lease it on
19 behalf of Yates or is he trying to lease it on behalf of
20 Marsh?

21 A On behalf of Marsh.

22 Q Is Marsh related to Yates? Is that a --
23 I mean are they associated companies in any way?

24 A Yes. Yes. We have a letter from Marsh
25 that says that we work together on this.

1 Examiner has been advised that Mr. Bruce has apparently got
2 some information and would like to enter an appearance at
3 this time in this case and --

4 MR. BRUCE: Mr. Examiner, my
5 name is Jim Bruce from the Hinkle Firm in Albuquerque and I
6 represent Marsh Operating Company. If I can make a few
7 statements it might clear up something about the Geneva
8 Newman interest.

9 MR. STOGNER: Mr. Vandiver, do
10 you have any objection?

11 MR. VANDIVER: No, I have no
12 objection. I would appreciate it.

13 MR. STOGNER: Mr. Bruce?

14 MR. BRUCE: What's kind of
15 confusing about this is this involves the pretermitted
16 heirs statute. What happened is at one time this property
17 was owned by a man named John Newman.

18 He was married and he had four
19 daughters and his first wife died.

20 He remarried a woman. They
21 had no children of their own but the second wife had a few
22 children.

23 John Newman died in 1962, He
24 left a will which left all of this property to his step-
25 children.

1 MR. STOVALL; And he had
2 living children also?

3 MR. BRUCE: And he had living
4 natural children. He failed to even mention his children
5 in this will.

6 MR. STOVALL: And you're going
7 to tell me Geneva Newman was one of those children?

8 MR. BRUCE: No. It gets worse
9 than that. The -- the stepchildren whose last name was
10 Pollock (sic), later conveyed the property to -- 1/2 inter-
11 est to Geneva Newman and 1/2 interest to Ben Sudderth,
12 S-U-D-D-E-R-T-H; however, because John Newman failed to
13 name his children in his will under the statute in effect
14 at that time, which was 30-1-7 of the 1953 statutes, it is
15 Marsh's contention that the Pollock children receive
16 nothing under the will and under that statute. Property
17 descended to his four -- to John Newman's four natural
18 daughters. The four natural daughters are named Billie J.
19 Heisch, Johnie May Turner, Mildred Jennings and Louise
20 Richardson.

21 Then Sudderth and his wife
22 later quit claimed their interest to those four children of
23 John Newman but Geneva Newman still has a 1/2 interest of
24 record.

25 Yates and Marsh have had con-

1 siderable dealings over this matter. It is Marsh's con-
2 tention that Geneva Newman owns no interest because of the
3 pretermitted heirs statute and that the four natural
4 children of John Newman own the entire interest; however,
5 in order to clarify everything so that Yates can get the
6 well drilled, a lease has been taken to make sure her in-
7 terest was leased and it was done with the cooperation of
8 Yates and Marsh.

9 A That's what I said.

10 MR. STOVALL: I'm glad you
11 clarified that. I really appreciate your efforts on that.

12 Q So now, if I understand what we're
13 saying, Mr. Cowan, I'll get back to you as the sworn wit-
14 ness for the moment, is that you are now asking us to force
15 pool an interest which you don't believe exists, if Mr.
16 Bruce's statement is correct.

17 MR. BRUCE: I think it is pro-
18 bably Marsh's contention, and Mr. Vandiver can speak for
19 Yates, title problems are a funny thing and we wish to, I
20 think Yates in conjunction with Marsh wishes to make sure
21 everything is tied up for the drilling of this well, and if
22 she does own an interest, then, yes, they wish to make sure
23 that is force pooled.

24 MR. VANDIVER: Whether or not
25 she owns an interest is a complex question of probate,

1 property, conflict of laws, which -- from which I'm not
2 aware of any case in point in New Mexico and she very well
3 own a 1/2 interest in the east half of the northwest quart-
4 er and -- but that's something that for the parties to
5 litigate --

6 MR. BRUCE: Will require (not
7 clearly understood).

8 MR. VANDIVER: -- and she may
9 very well end up owning an interest. As Mr. Cowan has
10 testified, she executed a lease. Unfortunately the lease
11 is void and she has not executed a valid lease at this time
12 and we don't know whether or not she is going to. We as-
13 sume that she will but in the event that she doesn't, we
14 need to cover this base.

15 MR. STOVALL: Well, I certain-
16 ly agree with you that the Division in entering a forced
17 pooling order does not make title determinations and relies
18 on the parties to present accurate title information.

19 MR. BRUCE: That's right, and
20 please forgive me for testifying but I wanted to give you
21 information which would --

22 MR. STOVALL: Well, I appre-
23 ciate the information. It does make this something in the
24 nature of drilling mud in terms of clarity and understand-
25 ing, but that's all right.

1 I guess I don't have any fur-
2 ther questions with respect to Mrs. Bradshaw-Newman, or
3 whoever she may be. I'd certainly be curious to know if
4 she is executing a lease with warranty of title in it, but
5 that would be her problem, not ours.

6 I do have another question,
7 however, Mr. Examiner, unless you have any further --

8 MR. STOGNER: No, I don't have
9 any questions on Bradshaw or Marsh.

10 Q With respect to the Figgie Natural Re-
11 sources, Inc., and I believe it was your testimony that
12 they acquired the interest of Mercury?

13 A Yes, sir.

14 Q Do you know when that occurred?

15 A I do not know.

16 Q Do you know if that was of record?

17 A I haven't seen anything on it.

18 Q Have you had anybody, hired anybody or
19 had anybody in your staff check the land records in Chaves
20 County to determine the ownership?

21 A Not that I know of.

22 Q I'm concerned about this because Figgie
23 has received notice. Today is what, the 8th? They got
24 notice mailed on the 6th.

25 Today's the 7th so they had notice

1 mailed to them yesterday of the hearing which occurred
2 today.

3 A Right. The reason was talking with
4 Janet Richardson the notice was originally sent to Mercury
5 on the 24th of April. Mercury Exploration apparently does
6 not get along real well with Figgie, whether that had any-
7 thing to do with it or not, they apparently sat on this
8 notice for a month, sent it to Figgie and that's why they
9 received it the 2nd of June.

10 Q Well, I would be curious to know in this
11 particular situation whether Figgie's interest was of re-
12 cord and whether Yates would have had constructive notice
13 of that at some time prior to the 6th of June and we would
14 request that you provide that information, if in fact there
15 was record notice, then the obligation would be on Yates.
16 If there was no record notice, then certainly you've ful-
17 filled your duty if Mercury was in fact the record holder
18 of the leasehold interest as of the time notice was given.
19 You would have satisfied your requirement.

20 So if you could provide that information
21 as quickly as possible upon your return, and I assume
22 you're going to want an expedited order, if possible, on
23 this. Is that going to make any difference?

24 MR. VANDIVER: We're request-
25 ing, Mr. Examiner, that the case be readvertised to allow

1 Figgie sufficient time to respond to both the well propo-
2 sal and the application for forced pooling.

3 Q When did you find out that Figgie had
4 acquired the Mercury interest, do you -- when did -- I mean
5 to the best of your knowledge when did Yates become aware
6 of Figgie's --

7 A I -- to the best of my knowledge, I
8 would say on the 2nd of June when Mr. Burton Brown of
9 Figgie called Yates Petroleum and said, hey, guess what, we
10 -- we own this acreage, you know.

11 MR. STOVALL: If I understand
12 you, Mr. Vandiver, you're going to request a continuance to
13 the next Examiner Hearing.

14 MR. VANDIVER: Yes. sir.

15 MR. STOVALL: That actually,
16 technically, doesn't give Figgie sufficient time.

17 MR. VANDIVER: And if that is
18 insufficient, maybe we can continue it even again until the
19 12th and I think that that would be advisable to, because
20 --

21 MR. STOVALL: (Interrupting
22 and not clearly understood.)

23 MR. VANDIVER: -- they're not
24 going to have 20 -- they're not going to have 20 days
25 notice as of the next hearing and I don't really see any

1 way around it. The interest was of record.

2 MR. STOVALL: The Figgie in-
3 terest was of record?

4 MR. VANDIVER: Yes.

5 MR. STOVALL: Okay, if it was
6 of record, then it was Yates' error in failing to pick that
7 up and I would say that they do require notice.

8 MR. VANDIVER: Yes.

9 MR. STOVALL: In which case
10 this -- that solves that problem if you're willing to con-
11 tinue it.

12 MR. VANDIVER: Yes, sir.

13 MR. STOVALL: All right. Okay,
14 we'll just continue it till the -- to the --

15 MR. VANDIVER: I'd like to put
16 on all the testimony today.

17 MR. STOVALL; Oh, yeah, no
18 problem with that as far as actually noticing him for the
19 next hearing. Do you want to continue to have it on for
20 the next hearing and then continue it again or do --

21 MR. VANDIVER: Yes, sir.

22 MR. STOVALL: -- you just want
23 to go ahead and continue it to the --

24 MR. VANDIVER: I think that
25 that would be the thing to do.

1 MR. STOVALL: And if you reach
2 some agreement with Figgie, then you would notify the --

3 MR. VANDIVER: Yes, sir.

4 MR. STOVALL: -- Division --

5 MR. VANDIVER: Yes.

6 MR. STOVALL: -- and then at
7 that time it can be taken under advisement.

8 MR. VANDIVER: Yes, sir. And
9 in response to your earlier questions, I think, concerning
10 the operating agreement, I think that the confusion in the
11 title caused the confusion in the operating agreement.

12 MR. STOVALL: Right.

13 MR. VANDIVER: Mr. Bruce's --

14 MR. STOVALL: I think Mr.
15 Bruce's explanation certainly -- certainly explains, per-
16 haps. the inconsistencies there.

17 MR. VANDIVER: Well, I think
18 --

19 MR. STOVALL: I expect you'll
20 want to correct the operating agreement.

21 MR. VANDIVER: Yes, sir. Yes,
22 sir.

23 MR. STOVALL: I think I under-
24 stand now what the title situation is.

25 I have no further questions.

1 MR. STOVALL: Mr. Cowan, be-
2 fore you go, this is not really a question, but if at such
3 time as you get the title cleared up, would you provide a
4 copy of Exhibit A, a revised Exhibit A to the operating
5 agreement?

6 A Yes, sir, we certainly will.

7 MR. STOGNER: Are there any
8 other questions of this witness?

9 He may be excused.

10 A Thank you.

11 MR. STOGNER: Mr. Vandiver?

12 MR. VANDIVER: Applicant will
13 call D'Nese Fly.

14 May I proceed, Mr. Examiner?

15 MR. STOGNER: Yes, Mr. Vandiver.
16 ver.

17

18 D'NESE FLY,
19 being called as a witness and being duly sworn upon her
20 oath, testified as follows, to-wit:

21

22 DIRECT EXAMINATION

23 BY MR. VANDIVER:

24 Q What is your name, occupation and by
25 whom are you employed, Ms. Fly?

1 A D'Nese Fly and I'm a geologist with
2 Yates Petroleum Corporation in Artesia, New Mexico.

3 Q How long have you been so employed?

4 A I've been with Yates for four months.

5 Q What is your -- you've not previously
6 testified before the New Mexico Oil Conservation Division,
7 have you?

8 A No, sir.

9 Q What is your education, Ms. Fly?

10 A I have a Bachelor of Science in geology
11 from the University of Texas in Austin.

12 Q What year did you receive your degree?

13 A 1980.

14 Q Following receiving your degree from the
15 University of Texas, what has been your work experience?

16 A I was an exploration geologist with the
17 exploration firm, Humbard and Associates, in Midland.

18 Do you want me to proceed?

19 Q Yeah, what -- what were your duties with
20 Humbard?

21 A I did regional exploration, subsurface
22 mapping with the use of well logs and some seismic data.

23 Q And how long were you so employed?

24 A I was there from '80 to '82.

25 Q And following that who did you work for?

1 A Then I worked for the Bureau of Economic
2 Geology in Austin, Texas for one year.

3 Q And what were your duties with them?

4 A I was a research scientist working on
5 subsurface mining of lignite in East Texas.

6 Q And then by whom were you employed?

7 A The I returned back to Midland, Texas,
8 and returned to my job with Humbard and Associates doing
9 the same regional exploration for another two years.

10 Q And then who did you go to work for
11 after that?

12 A After that I was with TXO Production
13 Corporation in Midland, Texas, for a year doing geological
14 technician work, exploration mapping.

15 Q And you've been employed by Yates Pet-
16 roleum Corporation for four months?

17 A Yes, sir.

18 Q And has your work with Yates Petroleum
19 Corporation been primarily in the Abo Field in Chaves
20 County, New Mexico?

21 A Yes, sir.

22 Q Have you made a geological study of the
23 proposed well location of Yates Petroleum Corporation for
24 the Geneva UI No. 1 Well?

25 A Yes.

1 MR. VANDIVER: Mr. Examiner, I
2 tender the witness as an expert petroleum geologist.

3 MR. STOGNER: Ms. Fly is so
4 qualified.

5 Q Ms. Fly, if I could refer you to what's
6 been marked for identification as applicant's Exhibit
7 Number Nine and ask you to describe what that depicts,
8 please?

9 A Exhibit Number Nine is our sandstone
10 isolith map. It is an alluvial channel sand in the Abo
11 formation, which trends from the northwest to the
12 southeast in this area and the way that I have mapped it
13 shows a bifurcation in these channels trending towards the
14 south, which meander, then, on towards the southeast, and I
15 have so chosen the location to sit in this bifurcated area.

16 Q Do you have anything else to raise with
17 regard to Exhibit Nine?

18 A No.

19 Q All right, if I could refer you to
20 what's been marked for identification as applicant's
21 Exhibit Ten and ask you to describe what that is, please?

22 A Exhibit Ten are the cums from the annual
23 -- 1988 annual report and these show basically the risk
24 involved in drilling this well. The cums trend from the
25 northwest to the southeast and as seen in Section 20, where

1 the well is located, we are sitting in a trough of sub-
2 economic to marginal economic wells as described in the
3 header up above the map.

4 Q What do you describe as a sub-economic
5 or marginally economic well in the area of your study?

6 A Off these cums I'm saying that a sub-
7 economic well is less than 225-million and I'm saying that
8 a marginal economic well is 225-million to 300-million
9 cubic feet of gas.

10 Q Then you mean with regard to cumulative
11 production through 1988?

12 A Yes, sir.

13 Q And your exhibit shows that of the wells
14 in your area of study, 71 percent are sub-economic or of
15 marginal economic value.

16 A Correct.

17 Q What are the factors involved in the --
18 the risk associated with drilling this well?

19 A I feel as though they're 200 percent.

20 Q Well, I mean what factors would make --
21 would you consider in determining the risk involved in
22 drilling this well?

23 A Well, as seen here from the cums, we are
24 drilling in the area which is the sub-economic to marginal
25 economic zone. Also we are deviating from the normal trend

1 and breaking south as seen on Exhibit Number Nine in the
2 normal channel trends in this area.

3 Q Do you feel there's a good prospect for
4 making a producing Abo gas well?

5 A Yes, sir.

6 Q But you feel there's risk involved in
7 obtaining an economic well?

8 A Yes, sir.

9 Q And in your opinion what risk factor
10 should the Division place on force pooled parties if this
11 application is granted?

12 A As stated, I feel it should be 200 per-
13 cent.

14 Q In your opinion will the granting of
15 this application prevent waste and protect correlative
16 rights and avoid the drilling of unnecessary wells?

17 A Yes.

18 Q Will the granting of this application
19 afford Yates Petroleum Corporation the opportunity to pro-
20 duce its just and equitable share of oil and gas?

21 A Yes.

22 Q And will it avoid the drilling of an ex-
23 cessive number of wells?

24 A Yes.

25 Q Were Exhibits Nine and Ten prepared by

1 you or under your direction and supervision?

2 A Yes, sir.

3 MR. VANDIVER: Mr. Examiner,
4 applicant moves admission of applicant's Exhibits Nine and
5 Ten.

6 MR. STOGNER; Exhibits Nine
7 and Ten will be admitted into evidence at this time.

8 MR. VANDIVER: And I have no
9 further questions of this witness, if you'd like to in-
10 quire, Mr. Examiner.

11

12 CROSS EXAMINATION

13 BY MR. STOGNER:

14 Q Ms. Fly, on Exhibit Number Ten, you show
15 the area of economic wells. What's your definition of an
16 economic well in this area?

17 A It's greater than 300-million cubic feet
18 of gas.

19 Q Okay. Now the figures shown on each in-
20 dividual well in the map, is that cumulative from day one?

21 A Yes, sir, up until December 31st, 1988.

22 Q When I look at those wells in the
23 southern part of Section 20 and the north part -- and the
24 northwest quarter of 29, how long have these wells been on
25 line?

1 A I'm not sure of exactly how long they've
2 been on line in that area.

3 Q And would that be the same for the wells
4 within the orange portion?

5 A Yes, that does become a factor and
6 therefore an ultimate reserve recovery map or data will be
7 presented by another witness.

8 Q Okay. On your Exhibit Number Nine you
9 show two zones. Are these the only producing zone in the
10 Abo Pool in this area?

11 A The way we break them down at Yates
12 there is another zone, a lower zone, which I did not put on
13 this map because we don't feel that we will cross over into
14 the lower zone at this location.

15 These are the two zones expected to be
16 recovered in the Abo.

17 Q When I look at the well in the southwest
18 quarter of Section 16, that's plugged and abandoned, is
19 that correct?

20 A Yes, sir.

21 Q Did -- was that well tested in the -- or
22 do you have any Abo information on that well?

23 A It was tight in the Abo. This is an-
24 other risk factor where you can be on trend and have some
25 sands and still the sandstones can be tight.

1 Q And as far as to the east and southeast
2 of your proposed location you had no geological informa-
3 tion to go on, is that correct, since there was no wells in
4 that area?

5 A Out of -- oh, within Section 21?

6 Q Well, even further in Section 20.

7 A Okay, that is correct. That's just in-
8 terpretation from contouring.

9 Q Now, in your little square on the map in
10 Exhibit Number Nine, that's fairly localized but there's a
11 lot of wells back to the west and back to the north several
12 miles away. Is this well -- I mean is this map a piece of
13 a larger map that exists?

14 A No, sir, this is the map that I drew up
15 to show John Yates about drilling this location. I feel as
16 though another geologist may have some regional mapping
17 made in this area which would include the entire Pecos
18 Slope Field. But as far as my data for picking this loca-
19 tion, this was all that was used.

20 Q Okay. So you didn't feel it was neces-
21 sary to include those other wells, although there are quite
22 a few of them even two miles away.

23 A No, sir, they -- the way that I have
24 been told to map this area is just the nine continuous
25 sections around the area of interest, since it is a fairly

1 well known field, and well studied.

2 Q Did your geology work include looking at
3 any other formations or potential producing zones?

4 A No, sir.

5 Q Are there any other producing zones in
6 this area?

7 A I don't think in this direct area.
8 These have all penetrated the Abo and within this nine con-
9 tinuous section, and none has produced from the San Andres,
10 which is another zone of interest in the Pecos Slope, but
11 in this area I feel as though it's nonproductive.

12 Also I know to the northwest there has
13 been some Penn production but we have not studied it in
14 this area because we don't -- do not feel as though it's
15 economic.

16 Q And this well is not going that deep, is
17 that correct?

18 A No, sir.

19 MR. STOGNER: I have no other
20 questions for Ms. Fly.

21 She may be excused.

22 Is there anything else, Mr.
23 Vandiver?

24 MR. VANDIVER: One further
25 witness, Mr. Examiner.

1 MR. STOGNER: Thank you.

2 MR. VANDIVER: Applicant will
3 call Theresa Padilla.

4 MR. STOGNER: Mr. Vandiver.

5

6 THERESA PADILLA,

7 being called as a witness and being duly sworn upon her
8 oath, testified as follows, to-wit:

9

10 DIRECT EXAMINATION

11 BY MR. VANDIVER:

12 Q Would you state your name, occupation,
13 and by whom you're employed, please, ma'am?

14 A Yes. My name is Theresa Padilla. I'm
15 an engineer with Yates Petroleum.

16 Q Have you in the recent past had occasion
17 to testify before the New Mexico Oil Conservation Division?

18 A Yes, I have.

19 Q And have your qualifications been ac-
20 cepted?

21 A Yes.

22 Q And are they a matter of record?

23 A Yes, they are.

24 MR VANDIVER: Mr. Examiner, is
25 the witness qualified?

1 MR. STOGNER: Ms. Padilla is
2 so qualified.

3 Q Ms. Padilla, have you made a study of
4 the economics of the various wells surrounding Yates Pet-
5 roleum Corporation's location for its proposed Geneva UI
6 No. 1 Well?

7 A Yes. This will be referring to Exhibit
8 Number 11, which is a spreadsheet that I have prepared. It
9 lists nine wells which off -- directly offset the Geneva
10 well in Section 20.

11 If you'll refer to plat or Exhibit
12 Number One, you can follow me on this.

13 I'm looking at the two Grynberg wells in
14 the south half of Section 17 directly north of the Geneva
15 well.

16 The Skinny Well No. 3 in the southwest
17 quarter of Section 16 and also the two other Skinny Wells
18 No. 2 and No. 6 in Section 16, looking at the McDermott
19 Well in Section 19, and this would be -- this would be in
20 the south half of Section 19, the Rit No. 5 and the No. 6
21 in the south half of Section 20, and the Skinny Wells that
22 I mentioned earlier in Section 16. There's also another
23 well, Corn Brothers No. 1, in Section 19. This would be in
24 the north half, northeast quarter.

25 Q In this spreadsheet what I've done is

1 place the cum production in the fifth column of the spread-
2 sheet as of June 1st for the first seven wells and as of
3 January 1st, '89 for the last two wells, the Skinny Wells.

4 I have listed the production forecast
5 that I have given these wells and they range from 8 per-
6 cent to approximately 14 percent.

7 I declined these wells and attached to
8 this exhibit are the decline curves and stated which per-
9 centage I had declined them and assigned them some re-
10 serves once I ran the economics on them.

11 In the last column is the ultimate re-
12 covery in million cubic feet.

13 As you can see, the ultimate recovery
14 ranges from about 210-million cubic feet to 2.3 BCF and
15 many of the numbers are in the 2-to-300-million cubic feet
16 range.

17 So this exhibit is to show that there is
18 some risk in drilling this well and the average is approxi-
19 mately 690-million cubic feet from the nine wells.

20 The one well in the southwest quarter of
21 Section 16 was dry in the Abo and also in the southwest
22 quarter of Section 20, directly south, the Rit No. 5 has
23 been producing, I believe it's since 1983, and this parti-
24 cular well has been shut in since January of 1986 and
25 through this date it has only produced 210-million cubic

1 feet.

2 Q Now if I could refer you to Yates Ex-
3 hibit Twelve and ask you to describe what that is, please?

4 A Okay. Exhibit Number Twelve is an
5 evaluation of the Geneva UI No. 1 in Section 20 and what I
6 did is I utilized Exhibit Number Eleven, took a low end
7 well with an ultimate recovery of 250-million cubic feet,
8 an average of 690-million cubic feet well, and a 2.3 BCF
9 cubic foot well for ultimate recovery.

10 I declined -- I assigned some production
11 to start in August of 1989, with the well being spud in --
12 this Saturday and ran economics as to the payout on this
13 well.

14 The well, at 250-million cubic feet, did
15 not pay out as far as getting a rate of return on your
16 money. The payout as far -- before accounting the dis-
17 count, just looking at a net cash flow, the payout would
18 occur in 12-1/2 years.

19 Now when you go to the second economics
20 run, with 690-million cubic feet as ultimate recovery, the
21 rate of return we would get on a cash basis would be 17.74
22 percent and the well would payout again on a cash basis in
23 4.4 years.

24 The before payout tax years, as far as
25 getting a rate of return on your money, would be 20-1/2

1 years.

2 The third economics run that I ran was
3 at 2.3-million cubic feet of gas. The well would pay out
4 in 1-1/2 years on a cash basis and 1.4 years with a rate of
5 return.

6 The purpose of this exhibit is to show
7 that it would take greater than approximately 700-million
8 cubic feet for the well to pay out where you receive a rate
9 of return on your money, on your investment.

10 Q Ms. Padilla, now you've heard Ms. Fly
11 testify as to her Exhibit Ten --

12 A Uh-huh.

13 Q -- that she considered a well economic
14 that produced greater than 300-million cubic feet, and you
15 are saying that the well would be economic only if it pro-
16 duced 700-million.

17 How do you differ in your analysis from
18 Ms. Padilla? I mean from Ms. Fly, I'm sorry.

19 A The main difference here would be that
20 Ms. Fly used cum production through 1988 and I'm looking at
21 more current production and also at ultimate recovery. I'm
22 looking at a price of gas at \$1.50 per MCF with the oper-
23 ating cost and getting your money back with a rate of
24 return involved in that rather than just a cash (unclear)
25 basis.

1 Q Okay. In your opinion is there risk
2 associated in drilling this well?

3 A Yes, there is.

4 Q Do you expect to obtain a producing
5 well?

6 A Yes, we do.

7 Q But there's risk involved in whether or
8 not it will be an economic well?

9 A Yes, sir.

10 Q And in your opinion what should be the
11 penalty imposed on force pooled parties?

12 A Well, considering the Exhibit Number
13 Twelve, as far as the rate of return, even on a cash basis
14 I feel that 200 percent would be a good risk, risk factor
15 to use.

16 Q Now if I could refer you to what's been
17 marked for identification as the applicant's Exhibit
18 Thirteen and ask you to describe what that is, please?

19 A Okay. Exhibit Thirteen is an AFE which
20 was prepared for the Geneva UI No. 1 in Section 20 and this
21 was prepared on April 24th of 1989.

22 Q All right.

23 A It also includes two other AFE's for
24 Pecos Slope Abo wells. There is one, the Finley RV No. 2,
25 which is the second page. It's in Section 33 of 6, 25.

1 And also the Dandelion Federal Com No. 1
2 in Section 10 of 9, 26.

3 Now the Dandelion is a very atypical
4 Pecos Slope Abo AFE running approximately \$255,000; how-
5 ever, the major difference, and going back to page 1 and
6 page 2, for the Geneva Well we have \$288,000 and the Finley
7 Well, \$306,000. This particular area has a lost circula-
8 tion problem, considerable, where extra casing has been
9 set, surface casing, and this would be the major differ-
10 ence in the cost.

11 Q These Finley and Dandelion Wells have
12 not yet been drilled, have they?

13 A The locations are presently being pre-
14 pared and they may or may not spudded since I've looked at
15 a report.

16 Q All other working interest in your pro-
17 posed Geneva UI No. 1 Well have -- other than those that
18 we've been discussing here today -- just signed this AFE?
19 Is that correct?

20 A I am not aware of that -- familiar with
21 that.

22 Q All right. In your opinion does this
23 AFE reflect reasonable well costs for this proposed well?

24 A Yes, it does.

25 Q And this AFE was prepared by the Yates

1 Petroleum Corporation engineering department?

2 A That is correct.

3 Q And the other two exhibits were prepared
4 by you or under your direction or supervision?

5 A Yes, sir.

6 Q In your opinion will the granting of
7 this application prevent waste and protect correlative
8 rights?

9 A Yes, I feel it will.

10 MR. VANDIVER: Mr. Examiner,
11 Applicant moves admission of Applicant's Exhibits Twelve
12 and Thirteen and I have no further questions of this wit-
13 ness if you'd like to inquire.

14 MR. STOGNER: We should in-
15 clude Exhibit Number Eleven, don't you think?

16 MR. VANDIVER: I'm sorry, yes.

17 MR. STOGNER: Okay, Exhibits
18 Number Eleven, Twelve and Thirteen will be admitted into
19 evidence at this time.

20 Are there any questions of
21 this witness?

22 If not, she may be excused.

23 Is there anything further at
24 this time, Mr. Vandiver?

25 MR. VANDIVER: Mr. Examiner,

1 as I said, if we could just continue this case until the
2 12th of July, subject to if Yates reaches an agreement with
3 Figgie, which I believe is the only party we have the
4 notice problem with, if we could notify the Division and
5 request an order at that time, if that would be possible.

6 MR. STOVALL: You want to
7 continue it, now we discussed this before, you want to
8 continue it to the 12th of July first or do you want to
9 continue it to the next hearing on the 21st of June and
10 then at that time if you don't --

11 MR. VANDIVER: Okay.

12 MR. STOVALL: -- reach an
13 agreement, we can continue it?

14 MR. VANDIVER: Okay, that's --
15 we'll do that.

16 MR. STOGNER: Okay. If there
17 is nothing further at this time, we'll finish up with this
18 case; however, we will continue this matter until the Exa-
19 miner's Hearing scheduled for June 21st, 1989, at which
20 time, Mr. Vandiver, you will notify us whether it shall be
21 continued once again or if Figgie Natural Resources notifi-
22 cation question has been satisfied or not, at which time it
23 will be taken under advisement. If not, then it will be
24 further continued to the July 12th, 1989, docket.

25 If there is nothing further in

1 this case this matter will be continued at this time.

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(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 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. 9675, heard by me on 7 Dec 1989.

[Signature] Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 7, 1989 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
R. L. Ralph Kenderick	El Paso Hall Gas	El Paso
Dale Hahn	Byram	Santa Fe
Kareem Dehney	Keelehen Kellum & Aubrey	Santa Fe
Mark McClellan	McClellan Oil Corp.	Roswell
W. V. Kellum	Yello O Yello Co. & Assoc.	Santa Fe
Scott Hall	Campbell & Back	SF
Jim Bruce	Hinkle Law Firm	ABQ
Robert M. Bonman	Enron Oil & Gas Co.	Midland, Tx.
Larry Hastings	Enron Oil & Gas Co	Midland, Tx
JIM DEWEY	DINERO Companies	MIDLAND TX
David R. Vandiver	Fisk, Vandiver & Carlson	Artesia, NM
Ivan D. Geddie	Ken McGee Corp.	Ok. City, Ok 73105

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

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