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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
CASE 10049

EXAMINER HEARING

IN THE MATTER OF:

Application of Santa Fe Energy Operating
Partners L.P., for Compulsory Pooling,
Eddy County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

August 22, 1990

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FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, N.M. 87501

FOR THE APPLICANT:

JAMES BRUCE, ESQ.
The Hinkle Law Firm
500 Marquette N.W., #740
Albuquerque, N.M. 87102

FOR YATES PETROLEUM:

ERNEST L. CARROLL, ESQ.
Losee, Carson, Haas & Carroll
Post Office Box 239
Artesia, New Mexico 88210

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1 EXAMINER CATANACH: At this time we'll call
2 Case No. 10049.

3 MR. STOVALL: Application of Santa Fe
4 Energy Operating Partners, LP, for compulsory pooling,
5 Eddy County, New Mexico.

6 EXAMINER CATANACH: Are there appearances
7 in this case?

8 MR. BRUCE: Mr. Examiner, my name is Jim
9 Bruce from the Hinkle Law Firm in Albuquerque,
10 representing the Applicant. I have two witnesses to
11 be sworn.

12 EXAMINER CATANACH: Any other appearances?

13 MR. CARROLL: Ernest Carroll of Losee,
14 Carson, Haas & Carroll, of Artesia, New Mexico,
15 appearing on behalf of Yates Petroleum.

16 MR. STOVALL: Mr. Carroll and Mr. Bruce, at
17 this time I would like to advise you of something. We
18 have, contrary to what we normally do, put what's
19 called an opposed case ahead of unopposed cases in an
20 accommodation for witnesses who have got a plane
21 flight.

22 I would advise you that this is not going
23 to be practice, and if your witnesses expect to be at
24 a hearing, they know how we run, we run a trailing
25 docket, they should plan to spend the day here and not

1 make 1:15 plane reservations to get back. If they
2 can't get back that day, make reservations for the
3 next day. It will not happen again, whichever guy
4 we're talking to.

5 MR. CARROLL: I hope you weren't talking to
6 me, because we did not have that problem.

7 MR. BRUCE: I would point out for the
8 Division that I was unaware of any opposition in this
9 case until this morning.

10 MR. STOVALL: I'm just saying this
11 primarily for your witnesses, Mr. Bruce, so they
12 understand. It's a trailing docket. That's the
13 nature of a trailing docket. Leaving at noon is
14 tough. It doesn't work very often. We'll go ahead
15 and do it this time.

16 EXAMINER CATANACH: You may proceed, Mr.
17 Bruce.

18 MR. BRUCE: Could I get my witnesses sworn
19 in?

20 EXAMINER CATANACH: Yes. Will the
21 witnesses please stand to be sworn in?

22 (Thereupon, the witnesses were sworn.)

23 GARY GREEN
24 the witness herein, after having been first duly sworn
25 upon his oath, was examined and testified as follows:

EXAMINATION

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BY MR. BRUCE:

Q. Would you please state your name and city of residence?

A. My name is Gary Green. I live in Midland, Texas.

Q. Who do you work for and in what capacity?

A. I work for Santa Fe Energy Operating Partners, LP, and I'm a landman.

Q. Have you previously testified as a landman before the Division?

A. Yes, I have.

Q. And are you familiar with the land matters involved in this case?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, is the witness acceptable?

EXAMINER CATANACH: He is.

Q. Mr. Green, would you state briefly what Santa Fe seeks in this case?

A. Santa Fe seeks an order pooling all mineral interests from the top of the Bone Spring Formation to the base of the Morrow Formation underlying the south half of Section 4, Township 23 South, Range 31 East, Eddy County, New Mexico, for all pools or formations.

1 The south half would be dedicated to all
2 pools or formations spaced on 320 acres. The
3 southwest quarter will be dedicated for all pools and
4 formations spaced on 160 acres, and the southeast
5 quarter of the southwest quarter would be dedicated
6 for all pools and formations spaced on 40 acres.

7 The unit will be dedicated to Santa Fe's
8 PG Federal #1 well to be located at a standard
9 location. Santa Fe requests consideration in the cost
10 of drilling and completing the well. Allocation of
11 these costs and approval of actual operating costs and
12 charges for supervision. Santa Fe also seeks that it
13 be designated operator of the well, and that a charge
14 for the risk involved in the drilling of the well be
15 assessed.

16 Q. Mr. Green, seeking force pooling from the
17 top of the Bone Spring to the base of the Morrow is
18 different from the application. Could you discuss
19 that and the location of the well briefly?

20 A. We were advised because of potash problems
21 on Tuesday that this well would have to be drilled
22 directionally and the surface location will have to be
23 located in Section 9. The actual hole will not get
24 over into Section 4 until we've reached approximately
25 6,000, 8,000 feet.

1 Q. And do you seek approval of the force
2 pooling and will you then subsequently seek approval
3 from the Division on the directional drilling?

4 A. Yes, we will.

5 Q. Would you please refer to Exhibit No. 1 and
6 identify that exhibit?

7 A. Exhibit No. 1 is a land plat located
8 Township 23 South, 31 East, Eddy County, New Mexico.
9 It shows the south half of Section 4 as a spacing
10 unit. The acreage colored in yellow is where Santa Fe
11 owns leasehold acres.

12 Q. Who is the party you seek to force pool?

13 A. Yates Petroleum Corporation.

14 Q. Would you please describe your efforts to
15 get Yates to join in this well? and I refer you to
16 Exhibit No. 2.

17 A. Exhibit No. 2 is a letter dated July 2,
18 1990, addressed to Ms. Kathy Porter with Yates
19 Petroleum Corporation, proposing a well and asking
20 Yates to join Santa Fe in the drilling of this well or
21 farm out its interests.

22 Santa Fe also proposed to review all its
23 geological data with Yates subject to them to make an
24 agreement to either farm out and join us in the
25 drilling of the well.

1 Q. How did Santa Fe and Yates come about to
2 own this acreage?

3 A. About a year and a half ago, Santa Fe
4 proposed a well to Yates and tried to form an AMI with
5 Yates, presented geological material for the drilling
6 of the well in Section 17. We negotiated for about
7 three months. During these negotiations Yates and
8 Santa Fe jointly acquired the acreage colored in
9 yellow in Section 3, Section 4 and Section 5.

10 Q. So there has been a history on this
11 property going back approximately a year?

12 A. Year to year and a half, yes.

13 Q. Would you please refer to Exhibit No. 3 and
14 discuss the costs of the proposed well?

15 A. Exhibit No. 3 is an internal well cost
16 estimate for the drilling of a 14,850-foot Morrow
17 well. A dry hole cost of \$1,419,626; completed well
18 cost of \$1,726,536.

19 Q. Does this cost about 30-percent higher than
20 the original proposal made to Yates?

21 A. Yes, it is, because of the directional
22 drilling.

23 Q. In your opinion, is this proposed well cost
24 in line with those normally encountered to drilling
25 wells to this depth in Eddy County?

1 A. Yes, it is.

2 Q. Do you have an amount which you recommend
3 should be paid to Santa Fe for supervision and
4 administrative charges?

5 A. Yes. It's my recommendation that Santa Fe
6 receive \$5,000 per month for a drilling well and \$500
7 a month be allocated for a producing well.

8 Q. Are these the amounts normally charged by
9 Santa Fe and other operators in this area of the
10 state?

11 A. Yes, they are.

12 Q. What penalty do you recommend against Yates
13 if it goes nonconsent?

14 A. Santa Fe recommends cost plus 200 percent.

15 Q. Is this figure used in operating agreements
16 by Santa Fe in this part of the country?

17 A. Yes, they are.

18 Q. Was Yates notified of this hearing?

19 A. Yes, they were.

20 Q. Is that letter and certified return receipt
21 marked Exhibit 4?

22 A. It's marked Exhibit 4, dated July 30th,
23 along with a copy of the application, along with
24 certified return receipts.

25 Q. Were Exhibits 1 through 4 prepared by you

1 or compiled from company records?

2 A. Yes, they were.

3 Q. In your opinion will the granting of this
4 application be in the interests of conservation, the
5 prevention of waste and the protection of correlative
6 rights?

7 A. Yes, it will.

8 MR. BRUCE: Mr. Examiner, I move the
9 admission of Exhibits 1 through 4.

10 EXAMINER CATANACH: Exhibits 1 through 4
11 will be admitted as evidence.

12 Mr. Carroll, any questions?

13 MR. CARROLL: Yes, I do. Mr. Examiner.

14 EXAMINATION

15 BY MR. CARROLL:

16 Q. Mr. Green, the particular lease which is
17 owned jointly by Santa Fe and Yates Petroleum, this
18 original lease was bought by Yates and then Santa Fe
19 was assigned a 50-percent interest, isn't that
20 correct?

21 A. That's correct.

22 Q. This particular lease has no closer
23 expiration date, does it?

24 A. No, it does not. The lease is
25 approximately one year old and there's probably

1 another four years remaining on the lease.

2 Q. All right. Are there any other
3 considerations why this well must be drilled within
4 the next month or two?

5 A. We plan to drill the well as of, just under
6 operations, that Yates knows that Santa Fe has drilled
7 two wells out here. It's an area that we are
8 currently developing.

9 Q. Yates is also developing wells in this same
10 area, are they not?

11 A. Yes. Yates is currently drilling a well in
12 Section 16.

13 Q. Now, you made the statement that you had
14 proposed to share geological information with Yates,
15 is that correct?

16 A. That's correct.

17 Q. In fact, Santa Fe just drilled a well in
18 Section 8, is that correct?

19 A. That's correct.

20 Q. And they have refused to share geological
21 information with Yates on that well?

22 A. On that particular well we propose to show
23 all our geological information subject to Yates
24 agreeing to join us in the drilling of the well or
25 farming out to us.

1 Q. I see. Yates is also drilling a well up in
2 the northwest corner of Section 16? The location is
3 marked on your Exhibit 1, is it not?

4 A. Yes, it is.

5 Q. And that well is presently logging, is it
6 not, Mr. Green?

7 A. I do not know.

8 Q. Mr. Green, the communications that you have
9 had with Yates Petroleum, as far as written
10 communications, the only such communication is Exhibit
11 2, is that correct?

12 A. Yes, that was our original proposal. I
13 have made a number of telephone calls and had a number
14 of conversations.

15 Q. Those telephone conversations have been
16 with one Ms. Kathy Porter, is that correct?

17 A. That's correct.

18 Q. Ms. Porter notified you that Mr. Mike Burch
19 was the landman that was handling this particular
20 project, did she not?

21 A. Not to my recollection. She may have.

22 Q. And you have had no communications
23 whatsoever with Mr. Burch, is that correct?

24 A. No, that's not correct. I talked to Mr.
25 Burch yesterday morning.

1 Q. And that was the first time you notified
2 Yates Petroleum that you were having trouble getting a
3 location because of this potash enclave, is that
4 correct?

5 A. That is correct. Santa Fe did not know the
6 potash problems until Friday.

7 Q. And the AFE that you have presented to this
8 Commission, Exhibit No. 3, that AFE was only finally
9 approved yesterday by your personnel, is that correct?

10 A. That is correct.

11 Q. This AFE has never been submitted to Yates?

12 A. No, it has not.

13 Q. In fact, the first time that Yates learned
14 about the possibility of doing a deviated hole, or the
15 necessity, was yesterday, when you had your
16 conversation with Mr. Burch?

17 A. That is correct.

18 Q. Now, isn't it also true that Ms. Porter has
19 indicated to you that Yates Petroleum would like to
20 join with you in the drilling of this well, but they
21 wanted to wait until the logging was through on their
22 well that was being drilled in the northwest corner of
23 Section 16?

24 A. No.

25 Q. That information or request has never been

1 passed to you?

2 A. No.

3 Q. Isn't it also true that Yates has made the
4 offer that they would like to sit down and have a
5 meeting wherein all geological information was shared
6 with Santa Fe, and that they would agree to--before
7 that meeting happened, that they would agree to
8 specific terms of the trade, either the joining or the
9 farmout? Are you aware of that?

10 A. I was aware of that yesterday morning. Up
11 until then, no, I was not aware of that. The proposed
12 terms in those talks yesterday morning would be and
13 are unacceptable to Santa Fe.

14 Q. Well, Mr. Green, what had been your efforts
15 to try to work out acceptable terms with Yates
16 Petroleum, other than calling and filing for this
17 hearing for forced pooling?

18 A. The initial well proposal, I offered to
19 show all geological information that we had, subject
20 to Yates agreeing to doing something.

21 Q. All right. And the only thing is that is
22 agreeable is what you proposed in your letter of July
23 30th?

24 A. At this time, yes. Those terms are very
25 reasonable, very acceptable in that area that we

1 propose. We have given those terms and we have
2 accepted those terms in the drilling of the wells in
3 Section 17.

4 Q. But what you're telling us though, Mr.
5 Green, is that those terms were nonnegotiable from the
6 time they were issued by Santa Fe to Yates?

7 A. Not necessarily. We never received a
8 counter from Yates until yesterday morning. We had
9 hardly even seen acknowledgment of our letter, our
10 original proposal.

11 Q. The conversations that you had with Ms.
12 Porter when you discussed this particular project were
13 always in conjunction with the discussion of the
14 Dagger Draw project also, were they not?

15 A. That is correct.

16 Q. You were aware that geologists from Yates
17 Petroleum and geologists from Santa Fe Petroleum did
18 meet and try to work out the exchange of geological
19 data on the wells that were drilled in Section 16 and
20 your well that was drilled in Section 8?

21 A. I'm aware that there were conversations. I
22 did not know that they met.

23 Q. And these conversations broke down, did
24 they not?

25 A. I believe so. I was not involved in those

1 conversations or negotiations.

2 Q. Mr. Green, why is it necessary that the
3 commission approve this application at this time
4 period?

5 A. Santa Fe proposes to drill a well. We
6 would like to drill a well, we would like to get on
7 with our business; we have this well in our budget.
8 It's a well we want to drill this year, we've drilled
9 two other wells in the area. It's just normal
10 development procedure.

11 Q. And Yates is also doing normal development
12 right now, is that correct, in that same area?

13 A. Yes, they are.

14 Q. Can you tell me what prejudice will occur
15 to Santa Fe if this Commission orders that an order be
16 stayed for a couple of months for the representatives
17 of Yates Petroleum and Santa Fe to get together and
18 try to work out, and even give time or allow time for
19 Yates Petroleum to examine this AFE which was seen for
20 the first time a few minutes ago?

21 A. I see that it disrupts our pattern of
22 development. I've told Yates that we would continue
23 to negotiate with them. My past experience has been
24 that things are not negotiated that quickly; decisions
25 are not made that quickly from Yates on this deal.

1 Previously we negotiated for three months
2 to drill a well in 17. That finally broke down after
3 three months' negotiation.

4 Q. Basically what you're telling me, the
5 reason that Santa Fe is pursuing this particular
6 application at this time is to gain leverage against
7 Yates in your negotiations with them on some sort of
8 deal with them on whether or not they would join or
9 farm out?

10 A. No, it is not. It's to get in a position
11 to drill a well that Santa Fe has budgeted and planned
12 be drilled this year.

13 Q. Santa Fe also controls the acreage on which
14 you propose now to actually locate, as far as surface
15 location?

16 A. That is correct.

17 Q. In fact, Santa Fe controls Section 15,
18 Section 16, is that correct?

19 A. That is not correct.

20 Q. Excuse me. I was looking at the wrong
21 numbers. Santa Fe controls most of the west half of
22 Section 10, all of Section 9, and the east half of
23 Section 8?

24 A. That's correct.

25 Q. Have you proposed any wells or locations

1 for those particular sections?

2 A. Santa Fe has drilled a well in Section 8.
3 Santa Fe proposes to drill a well in Section 9, either
4 the latter part of this year or the first part of next
5 year.

6 Q. Is there a specific reason why the well in
7 Section 9 must be drilled after the well in Section 4?

8 A. I think you'll need to address your
9 question to the geologist. I don't make those
10 decisions.

11 Q. At this particular time you do not have an
12 approved site for the drilling of this particular
13 well; is that correct?

14 A. That is correct. We're correctly
15 negotiating with IMC, the potash lessee on this
16 acreage, for a location.

17 Q. Which would have to be, in turn, approved
18 by the BLM, and that's where the problem has occurred
19 because it's in the enclave?

20 A. That is correct.

21 Q. The enclave area does extend down into
22 Section 9, does it not?

23 A. It does.

24 MR. CARROLL: Pass the witness.

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EXAMINATION

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BY EXAMINER CATANACH:

Q. Mr. Green, what would the respective interests in this unit be comprised of?

A. Yates Petroleum, 50 percent, Santa Fe Energy and its partners, 50 percent.

Q. In any of the proposed spacing units?

A. In any of the proposed spacing units in Sections 3, 4, 5.

Q. Did you say that the well will have to be drilled from Section 9?

A. Yes, sir. We have discussed this with the BLM and apparently talked to the potash people. We have a tentative location for that well, for the surface location to be 1980 from the west line and 900 feet from the north line of Section 9.

Q. Can you say that again?

A. The surface location, tentative surface location would be 1980 feet from the west line and 900 feet from the north line of Section 9.

Q. You testified that Santa Fe has reached an agreement with other operators in this area--

A. Yes.

Q. --with these same terms?

A. Yes.

1 Q. You've testified to that?

2 A. Yes.

3 EXAMINATION

4 BY MR. STOVALL:

5 Q. Let me clarify that. You're saying Santa
6 Fe and partners own 50 percent?

7 A. Yes. Santa Fe--

8 Q. Those partners were the ones you were
9 referring to in your response to the last question?

10 A. No. I'm referring to operators and owners
11 in the north half of Section 17, where we drilled our
12 first well or our well about a year and a half ago.

13 Q. The terms that you agreed to, are they
14 farmout terms such as were offered to you?

15 A. Yes.

16 Q. So you've farmed in the acreage in Section
17 17 under this--

18 A. Yes. Part of it we've farmed in and part
19 of it we owned. Part of it we've farmed in under
20 those terms.

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Now, this is the only written
24 correspondence you've had with Yates, Exhibit No. 2?

25 A. Yes.

1 Q. Besides the notice of the hearing?

2 A. Yes, that's correct.

3 Q. But you have talked to them?

4 A. On the phone a number of times. We
5 currently are partners with Yates in other areas and
6 we have discussions or talks quite frequently, once or
7 twice a week.

8 EXAMINER CATANACH: I have no further
9 questions.

10 MR. STOVALL: Just a couple of quick ones.

11 EXAMINATION

12 BY MR. STOVALL:

13 Q. The acreage which is the subject of
14 interest here was originally acquired by Santa Fe from
15 Yates, is that correct?

16 A. That is correct. Yates purchased the
17 acreage as did Santa Fe purchase 50 percent interest.

18 Q. You purchased 50 percent rather than
19 acquiring it by farmout or anything?

20 A. Right.

21 Q. Do you happen to know if there are any
22 potash maps filed in accordance with Rule R-111? Are
23 you within that LMR area, in other words? Do you
24 know?

25 A. I don't know.

1 MR. BRUCE: Mr. Stovall, aren't those maps
2 withheld from operators, though?

3 EXAMINER CATANACH: I believe they are.

4 MR. STOVALL: Yeah, they may be. I just
5 wanted to know if he knew that.

6 MR. BRUCE: The only way to find out, I
7 believe, is by making a call to the BLM. You can't
8 look at the maps themselves.

9 MR. STOVALL: All right. No further
10 questions.

11 EXAMINER CATANACH: The witness may be
12 excused.

13 MR. BRUCE: I would call Mr. Seiler to the
14 stand.

15 ROBERT C. SEILER

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

18 EXAMINATION

19 BY MR. BRUCE:

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

22 A. My name is Robert C. Seiler. I reside in
23 Midland, Texas.

24 Q. What is your occupation and who are you
25 employed by?

1 A. I'm a geologist with Santa Fe Energy
2 Operating Partners, LP.

3 Q. Have you previously testified before the
4 OCD as a geologist?

5 A. Yes, I have.

6 Q. Are you familiar with the geological
7 matters involved in Case 10049?

8 A. I am.

9 MR. BRUCE: Mr. Examiner, is the witness
10 acceptable?

11 EXAMINER CATANACH: He is.

12 Q. Mr. Seiler, would you please refer to
13 Exhibit No. 5 and discuss its contents?

14 A. Exhibit No. 5 is what we call a production
15 map or data map for the immediate area surrounding the
16 spacing unit in question.

17 Shown on it are the various producing wells
18 color coded as to the horizon that they produce from.
19 Additionally, the data on the map indicates the date
20 of first production and the cumulative production
21 through 4/1/90.

22 Q. What are the primary target zones in the
23 proposed well?

24 A. In the proposed well in Section 4, our
25 primary zones will be in the Atoka with back up in the

1 Morrow.

2 Q. Would you please now refer to Exhibit No. 6
3 and discuss its contents?

4 A. Exhibit No. 6 is a type log. The location
5 of this well is identified on the plats shown in the
6 north half of Section 17. It is a portion of the log,
7 a density neutron log, from our Pure Gold C-17 No. 2
8 well.

9 The log has identified on it the various
10 stratigraphic horizons from the Strawn to total depth
11 shown on it. Also are the zones that were tested
12 during the drilling of this well, and then
13 subsequently, after running pipe, the zone that was
14 perforated to make the completion in this well.

15 Additionally, I should point out the top of
16 the lower Morrow is identified on this log and we'll
17 have a structure map on the next exhibit. That's the
18 horizon that was used.

19 Q. What was the producing rate of this well
20 when it was completed?

21 A. This well flowed at rates in excess of 10
22 million a day from the Atoka bank during the
23 four-point test, and had a calculated open flow of 254
24 million a day.

25 Q. Would you please discuss the structure and

1 move on to Exhibit No. 7?

2 A. Exhibit 7, as I mentioned previously, is a
3 map drawn on the structural horizon called the Top
4 Lower Morrow on the type log.

5 The structure as shown, shows basically a
6 dip to the southeast with a fault running along the
7 western margin. This fault was partially pinned down
8 by seismic data and work by Mr. Eckerty, and I've
9 subsequently checked it with subsurface control.

10 Q. Now, would you please refer to Exhibits 8
11 and 9 and discuss the primarily target zones?

12 A. Exhibit 8 is a isopach map of the Atoka
13 bank, the Atoka limestone bank. It's constructed
14 using the net clean gamma ray greater than 50 API
15 units. It shows in the proposed location we expect
16 greater than 40 feet of net clean limestone.

17 Additionally shown is the producers from
18 the bank by the purple coloring, and you can see that
19 the well in Section 17 have 42 feet of net bank.

20 Q. And Exhibit 9?

21 A. Exhibit 9 is a sand isopach of the sand
22 that's identified as Atoka 'pure gold' sand. That
23 sand is identified on the typed log at a level of
24 approximately 13,860 feet. We envision this sand as
25 being a northeast/southwest trending bar sand.

1 We have encountered thicknesses up to 35
2 feet, and we have two producers in this zone at the
3 moment, the well in the south half of 17 and the well
4 in Section 20, both producing from this 'pure gold'
5 sand.

6 Q. Is the proposed well in Section 4 a logical
7 step out from Santa Fe's wells in Section 17 and
8 Section 8?

9 A. Yes, I would say it's on the northeast
10 trend.

11 Q. In your opinion, what penalty should be
12 assessed against the nonconsenting interest owners in
13 this well?

14 A. There's risk involved in all of these and I
15 would say the 200 percent plus cost is warranted.

16 Q. There are no wells in effect to the east or
17 north of the proposed well, is there, in the Morrow or
18 Atoka?

19 A. Not in the Atoka stand, no, sir; not in the
20 immediate area of the bank, either.

21 Q. In your opinion, is the granting of this
22 application in the interest of conservation and the
23 prevention of waste?

24 A. Yes, it is.

25 Q. Were Exhibits 5 through 9 prepared by you

1 or understand your direction?

2 A. Yes, they were.

3 MR. BRUCE: Mr. Examiner, I move the
4 admission of Exhibits 5 through 9.

5 EXAMINER CATANACH: Exhibits 5 through 9
6 will be admitted as evidence.

7 Mr. Carroll?

8 EXAMINATION

9 BY MR. CARROLL:

10 Q. Mr. Seiler, in looking at your Exhibit No.
11 9, the isopach of this 'pure gold' sand, you show that
12 it also underlies Section 9, do you not?

13 A. Yes, sir.

14 Q. In fact, more of the thicker area of that
15 sand actually underlies Section 9 than it does Section
16 4?

17 A. That is how it's drawn, yes. The control
18 to the northeast is nonexistent, and that's just my
19 projection of where I think it's going to go.

20 Q. When you said that this proposed well would
21 be a logical step out, wouldn't it be a more logical
22 step out to drill a well in Section 9 based on the
23 information that you have?

24 A. I would pretty much consider them equals,
25 quite frankly.

1 Q. Equals, even though a well in Section 4,
2 the bottom of the well in Section 4 would be farther
3 from your control than a well in Section 9?

4 A. Depending on if you stood up or laid down
5 the wells in Section 9, you would be somewhat distant
6 as well. I would still consider them basically
7 equals.

8 Q. Santa Fe does control the direct offset to
9 the well in Section 8, does it not?

10 A. Being Section 9?

11 Q. Yes.

12 A. Yes.

13 Q. 100 percent, does it not?

14 A. Santa Fe and its partners, yes, sir.

15 Q. Is there a particular reason why the well
16 in Section 9 is proposed to be drilled after the well
17 in Section 4?

18 A. Well, sir, that's, as I mentioned earlier,
19 that has been our game plan. One of the things that
20 happened to us, if I could draw your attention to the
21 Atoka bank map, our well in Section 8, although it had
22 38 feet of pay, it was tight in the bank.

23 We feel if we get a little further away
24 relative to the bank, we may have better opportunity
25 to get back into some porosity, which is necessary for

1 the production.

2 Q. The decision to drill the well in Section 4
3 is one of a management decision rather than geological
4 decision, isn't that crew?

5 A. All our decisions are made with all
6 information considered, and that was my
7 recommendation, that we go up to 4.

8 Q. The recommendation to drill in 4 as opposed
9 to 9 is not based on the fact that you might be able
10 to get a 200 percent penalty and drill that well under
11 those circumstances, rather than than one in Number 9
12 without a penalty with your other partners?

13 A. I don't think that that was that much of a
14 consideration, quite frankly. We're trying to
15 understand this bank. We've cored a lot of these
16 wells. We've encountered a very, very productive
17 well, as indicated on the type log in Section 17,
18 north half of 17.

19 We had thick bank, tight as could be in
20 Section 8, and we want to move further to the north to
21 see if we can move back into some porosity.

22 Q. Mr. Seiler, you say it wasn't that much of
23 a consideration. Are you saying it was a
24 consideration?

25 A. When you make a decision for a 1.2 to 1.8

1 million-dollar well, you consider all factors.

2 Q. Wouldn't it also be wise to find out what
3 the logs show in the well that Yates is drilling in
4 Section 16?

5 A. I would very much like to do that. I
6 attempted to make a log trade and it didn't work.

7 Q. That's because you wouldn't trade your logs
8 in Section 8?

9 A. It's because the original terms of our
10 agreement were violated.

11 Q. The violation was, Santa Fe would not turn
12 over its logs to the well in Section 8 to Yates?

13 A. If I could explain what happened there, I
14 would like to do that. I called over to Yates and
15 said, I saw that you're about to drill a well in
16 Section 16. I would be very interested in trading one
17 of our logs from our other two new wells, being either
18 the 17, C-17 #2, or the North 'Pure Gold' 8.

19 In discussions with Mr. Ray Beck, he
20 selected the well in 17, at which time I packaged up
21 our logs, our daily drilling reports, the DST reports,
22 sent them off to Yates Petroleum with a letter asking
23 them to sign to do several things: (1) to acknowledge
24 receipt of that information, (2) to hold that
25 information tight for Yates' internal use only, and

1 (3) to provide identical information from the well in
2 16.

3 Subsequent to that I got a phone call back
4 and said, no, they didn't want 17. Now that the
5 proposal had been afforded, they would rather have the
6 well in 8 and would just as soon return our material
7 from Section 17 to us and have us send them Section
8 8.

9 At that time I informed the geologist that
10 was calling for Mr. Yates, I forgot his name, that we
11 felt at this point our trade value for our log
12 information in Section 17 had been compromised, and we
13 agreed to trade on a well-by-well basis.

14 And then the comment I got next was, if
15 you're not going to give us the information in Section
16 8, we're not giving you anything in Section 16; at
17 which time I requested they return our stuff from 17
18 and told them that we were sorry it didn't work out.

19 Q. Isn't it also true, though, that the log
20 matter and information in Section 17 was already
21 public knowledge and Yates already had that, and that
22 was explained to you what good it would do to them?

23 A. It was not explained to me. I didn't know
24 what they had.

25 Q. But isn't that true?

1 A. I don't know.

2 Q. You don't know?

3 A. I know they didn't have our drilling
4 reports nor the DST information from the tests on the
5 charts and everything. That's not public information.

6 MR. CARROLL: No other questions.

7 MR. BRUCE: I would like to clarify one
8 thing, Mr. Examiner.

9 EXAMINER CATANACH: Yes, sir.

10 EXAMINATION

11 BY MR. BRUCE:

12 Q. Mr. Seiler, you did recommend a 200 percent
13 penalty, did you not?

14 A. Yes, I did.

15 MR. BRUCE: Nothing further, Mr. Examiner.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Mr. Seiler, the well that you operate or
19 own in Section 8, that is not productive in the Atoka?

20 A. No, it's the Morrow zone.

21 Q. But it tested tight in the Atoka, you said?

22 A. In the Atoka bank, yes it did. We ran the
23 DST. We cored it and ran a DST, and the DST was
24 absolutely tight and the core information
25 substantiated that there's virtually no porosity and

1 absolutely no permeability.

2 Q. However, that is a pretty good well in the
3 Morrow, is it not?

4 A. We're very satisfied with it, yes, sir.

5 EXAMINER CATANACH: I believe that's all I
6 have of the witness.

7 MR. BRUCE: I have nothing further at this
8 time, Mr. Examiner.

9 EXAMINER CATANACH: Mr. Bruce, I don't know
10 that I got proposed overhead rates.

11 MR. STOVALL: He did state them.

12 MR. BRUCE: 5,000 and 500. Mr. Green
13 testified as to those.

14 EXAMINER CATANACH: 5,000 and 500?

15 MR. BRUCE: Yes.

16 EXAMINER CATANACH: All right. Just to
17 make sure I understand, you are now revising, Mr.
18 Bruce, your pooling order to cover only from top of
19 the Bone Spring to the base of the Morrow?

20 MR. BRUCE: That's correct, Mr. Examiner.
21 And that is not because of ownership questions, only
22 because of the directional drilling.

23 EXAMINER CATANACH: I understand.

24 Mr. Carroll, do you have anything further?

25 MR. CARROLL: I have one witness, Mr.

1 Burch.

2 MIKE BURCH

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

5 EXAMINATION

6 BY MR. CARROLL:

7 Q. Would you please state your name and
8 occupation and by whom you're employed for the record?

9 A. My name is Mike Burch. I'm the petroleum
10 landman employed for Yates Petroleum Corporation.

11 Q. Have you previously been called upon to
12 testify before the New Mexico Oil and Gas Commission
13 as a professional petroleum landman?

14 A. Yes, I have.

15 Q. Have your credentials been presented to
16 this Commission and been accepted?

17 A. Yes, they have.

18 MR. CARROLL: I tender Mr. Burch as an .
19 expert petroleum landman.

20 EXAMINER CATANACH: He is so qualified.

21 Q. Mr. Burch, you are familiar with the
22 matters contained in Case 10049, are you not?

23 A. Yes, I am.

24 Q. Are you the landman that's presently
25 handling this area or prospect for Yates Petroleum?

1 A. Yes, I am.

2 Q. Mr. Burch, you have caused to be prepared a
3 land plat of this area, have you not?

4 A. Yes, sir.

5 Q. Please refer to what I've marked as Yates
6 Exhibit 1. Is this the land plat that you have
7 prepared?

8 A. Yes, it is.

9 Q. With respect to the acreage that is marked
10 in the solid yellow color, who owns that acreage?

11 A. Yates Petroleum.

12 Q. Is that owned 100 percent?

13 A. Yates and their in-house entities.

14 Q. Is Yates presently drilling a well in that
15 section?

16 A. That is correct.

17 Q. What is the name of that well?

18 A. The name of that well is the Madano VA #2.

19 Q. Is that location marked with the red circle
20 on this Exhibit No. 1?

21 A. Yes, it is.

22 Q. What is the status of that well? Has it
23 been drilled? completed? What stage is it in?

24 A. The last report that I have shows that
25 we've drilled that and reached TD, and we're in the

1 process of logging that well.

2 Q. Mr. Burch, Santa Fe's Exhibit 2 is a letter
3 dated July 2, 1990. Have you seen that letter?

4 A. Yes, I have.

5 Q. Is that the only written communication that
6 you've received from Santa Fe concerning their efforts
7 to either farm out or get you to join in the drilling
8 of this 'pure gold' well in Section 4?

9 A. Yes, it is.

10 Q. Have you had any conversations with Mr.
11 Green concerning this particular project?

12 A. Yes, I have.

13 Q. When were those conversations?

14 A. The one conversation I had with him was
15 yesterday morning.

16 Q. Who prompted that telephone call, Mr.
17 Burch?

18 A. I called Mr. Green.

19 Q. Had you tried to call Mr. Green previous to
20 that day?

21 A. Yes, I had.

22 Q. Were you able to reach Mr. Green?

23 A. No, I wasn't.

24 Q. Did you leave a message for Mr. Green to
25 call you?

1 A. Yes, I did.

2 Q. With respect to this acreage being in the
3 potash enclave, had Santa Fe ever discussed that
4 problem with you prior to yesterday's date?

5 A. No, they had not.

6 Q. What was said to you by Mr. Green
7 concerning that problem in yesterday's conversation?

8 A. Well, yesterday's conversation consisted of
9 the fact that Santa Fe was preparing a new AFE to
10 present to the Commission today, which we had never
11 seen. They indicated to me that it was going to be a
12 deviated hole, that they had problem drilling on the
13 acreage in Section 4 because of the potash.

14 Q. Did you discuss with Mr. Green the
15 possibility of postponing this hearing for you to
16 further learn more about this proposed drill site, the
17 AFE, and even the continued negotiations concerning
18 the farming out or joining?

19 A. Yes, I did. I recommended that he consider
20 postponing the hearing for possibly two weeks to
21 discuss the terms for technical review, that we could
22 come to some terms. It was at that time that I did
23 learn the fact that there was going to be a new AFE
24 prepared and presented, which was news to us.

25 So as of yesterday was the first time that

1 I actually got to talk to Mr. Green, and I did
2 recommend that we put this off for two weeks to try to
3 work out terms.

4 Q. Did Mr. Green indicate to you that with
5 respect to the terms that have been offered to Santa
6 Fe that that was it, or was there any room for
7 negotiation?

8 A. We both felt there was room for
9 negotiation. We both agreed there was probably room
10 for negotiation.

11 Q. Did Mr. Green indicate to you that Santa Fe
12 was willing to negotiate further?

13 A. Well, as far as postponing the hearing, no,
14 they were going to go ahead with the hearing. He did
15 indicate they would be open to negotiate.

16 Q. I'll show you what's been marked as Yates
17 Exhibit 2. Was this exhibit prepared under your
18 direction?

19 A. Yes, it was.

20 Q. What is Exhibit 2?

21 A. Exhibit 2 is a BLM map showing the potash
22 enclave, and the southwest quarter of Section 4 shows
23 the proposed location of Santa Fe being actually in
24 the potash enclave.

25 Q. This was prepared from a 1984 map prepared

1 or, I guess, authorized by the BLM, was it not?

2 A. That's correct.

3 Q. To your information, that is the latest map
4 that they've given out, and you have to reverify
5 through contact with the BLM concerning those old
6 boundaries of the potash enclave?

7 A. That is correct.

8 Q. Did you call the BLM and verify that these
9 were, in fact, still the boundaries with respect to
10 Sections 4 and 9?

11 A. Yes. I called to request information as
12 far as the well location of Santa Fe, and the BLM at
13 that time indicated that the location would have to be
14 moved because it was on the potash enclave.

15 Q. Santa Fe presented, as Exhibit No. 3, an
16 AFE, and I believe completed cost of approximately
17 \$1.7 million. Had you ever seen this AFE prior to a
18 few moments ago?

19 A. No, I have not.

20 Q. Is it your assumption, then, that this is
21 the AFE that Mr. Green was talking about that they
22 were preparing?

23 A. I assume that's so.

24 Q. With respect to this particular hearing,
25 Mr. Burch, what are the desires of Yates with respect

1 to what action Yates wishes the Commission would take
2 with respect to this application?

3 A. We feel like we should be given the
4 opportunity to study the new AFE that's been
5 presented. We also feel that by proceeding with this
6 hearing, if it is approved and we are actually pooled,
7 it's going to weaken our position to negotiate any
8 type of farmout agreement.

9 We feel like that there should be--this
10 proceeding should be postponed, so we can work among
11 ourselves to try to get this thing worked out.

12 MR. CARROLL: I pass the witness.

13 EXAMINATION

14 BY MR. BRUCE:

15 Q. Mr. Burch, with the July 2 letter, there
16 was an AFE attached to that, was there not?

17 A. That's correct.

18 Q. That was a completed well cost of about a
19 million and a half dollars, wasn't it?

20 A. That's correct.

21 Q. So regardless, you're dealing with a pretty
22 expensive well either way, aren't you?

23 A. That's correct.

24 Q. When did Yates buy the lease on Sections 3,
25 4 and 5?

1 A. We bought that lease in, I believe it was,
2 our June sale of 89. The lease was actually dated and
3 given September the 1st of 89.

4 Q. So you've had it about a year?

5 A. That's correct.

6 Q. And you're drilling other wells in that
7 area?

8 A. Yes, we are.

9 Q. So Yates is familiar with the land and
10 geology matters in that area?

11 A. Yes.

12 Q. Now, who else had contact with Gary Green
13 at Yates?

14 A. In the land department, in the geology?

15 Q. In the land department.

16 A. Kathy Porter, who the letter was addressed
17 to, had had contact with Mr. Green concerning other
18 matters, so, yes, she had contact with him.

19 Q. She also had some phone calls with Mr.
20 Green, is that correct?

21 A. That's the contact I'm referring to is
22 phone calls. We had no other letter correspondence on
23 this.

24 Q. Did Mr. Green try to call you last week?

25 A. Not that I'm aware of, he did not.

1 Q. He didn't call and leave a message for you?

2 A. Not that I'm aware of. I received no
3 messages.

4 Q. What are Yates' standard farmout terms in
5 this area?

6 A. Well, most of the things that we've done in
7 this area we've owned, that we've had to deal with.

8 Q. Is 40 percent a standard offer you've made
9 to people?

10 A. A standard offer that we make to people?

11 Q. Yes.

12 A. Probably not.

13 Q. In looking at your Exhibit No. 2, there
14 could be potash problems in Section 9, too, as well as
15 in Section 4, could there not?

16 A. That's true.

17 MR. BRUCE: I have nothing further, Mr.
18 Examiner.

19 EXAMINATION

20 BY MR. STOVALL:

21 Q. Mr. Burch, you're in the same office with
22 Kathy Porter?

23 A. Yes, I am.

24 Q. You do talk to each other--

25 A. Yes, we do.

1 Q. --and kind of know what's going on? I
2 believe there was an implication in cross that this is
3 actually your area of responsibility and not Ms.
4 Porter's, is that correct?

5 A. Yes, sir.

6 Q. But, in fact, if Ms. Porter knows about it,
7 Yates knows about it and you know about it, hopefully,
8 in your office?

9 A. Yes.

10 Q. You received the notice of this hearing
11 that was sent on--identified as being sent on July
12 30th, is that correct?

13 A. Yes, sir.

14 Q. In fact, it was signed for by you on the
15 31st it appears, is that correct?

16 A. (Witness nodded.)

17 Q. You've known that this was going on for at
18 least 20 days--actually, really more like a month and
19 a half, is that correct?

20 A. That's correct, when we got the letter.

21 Q. So, you you waited until yesterday to
22 contact Mr. Carroll and--

23 A. That's not correct.

24 Q. At what point did Yates decide to oppose
25 this application?

1 A. Okay. Let me-- Let me-- In my
2 conversations, let me put in context the conversations
3 that Mr. Green had with Kathy Porter. Back in July,
4 July 9th, Mrs. Porter talked to Mr. Green. We have
5 other ongoing operations with them in our Dagger Draw
6 area which Mrs. Porter handles.

7 Mr. Green talked extensively about Dagger
8 Draw, they talked about Dagger Draw, the situations
9 that we have there. At the end of most of the
10 conversations that he had with Mrs. Porter, the well
11 that's being proposed was brought up.

12 At those times he was told that I handled
13 those areas. He was also informed that Yates was
14 proceeding accordingly on those, that we're evaluating
15 those areas, that we were looking to see what was
16 going on. He also was aware of the fact that we were
17 drilling that well.

18 MR. BRUCE: I would object to the fact that
19 he's testifying about stuff contrary to what Mr. Green
20 has testified about. He's saying Mr. Green knew this
21 and that, and Mr. Green has testified directly
22 opposite to that.

23 MR. CARROLL: I think that the comment by
24 Mr. Green was he just didn't recall. I'm not sure it
25 was a direct contradiction. I think it's up to the

1 Examiner to determine.

2 MR. STOVALL: Let me interrupt here and
3 say, the essence of your testimony is that you know
4 there was some communication between a representative
5 of Yates Petroleum and Mr. Green or a representative
6 of Santa Fe, is that correct?

7 THE WITNESS: That's correct.

8 MR. STOVALL: It's my opinion, Mr.
9 Examiner, that the specific nature of that testimony
10 as testified to by Mr. Burch, who is not a party to
11 those conversations, is not particularly helpful in
12 this determination.

13 The fact is, there was some discussion and
14 the parties were aware of this ongoing application.
15 Mr. Burch, I believe you were in the room when I made
16 my comments at the beginning with respect to
17 scheduling of hearings, and I understand that you are
18 not the party with the plane reservation but I also
19 understand that you are the opponent and only made
20 that known in the hearing context to the Examiner and
21 myself this morning, to Santa Fe no earlier than
22 yesterday, and that, in fact is part of the problem
23 with respect to Santa Fe.

24 I will advise you on the record that we do
25 have a process now where you can enter an appearance

1 and file a prehearing of sort. What that does, in
2 effect, is advises the parties of what's going on.

3 What I do with that information, is then
4 try to determine what the hearing docket is going to
5 look like on a given Wednesday. So, having properly
6 chastised the Santa Fe witnesses for scheduling a
7 departure at 1:15, I will certainly say that part of
8 their problem was the failure for them to know in fact
9 it was going to be opposed. And we didn't know it
10 was going to be opposed, so we couldn't advise them.

11 I would request that you go back to Yates
12 and advise them that in the future if you intend to
13 oppose a hearing, if you think there's a possibility
14 that you may oppose an application, that you so notify
15 the Division prior to the day of the hearing. It
16 makes it work easier for us. It's not a rule at this
17 time but it certainly could have avoided some problems
18 here this morning.

19 MR. CARROLL: Mr. Stovall I would like a
20 clarification of that. When the rule first came down,
21 I read it as an obligation also on the Applicant to
22 determine if he was going to have opposition, because
23 in the form that is to be filed, there's places not
24 only for a statement of their case but to list the
25 parties which are going to be objecting to or coming

1 in opposition.

2 Again, I would like clarification because I
3 feel like, and I at least in my applications they're
4 going to the parties who I give notice to determine
5 whether or not there's going to be opposition.

6 Does the Commission anticipate that that
7 is an obligation on the Applicant, also, to try to
8 advise the Commission--

9 MR. STOVALL: Let me clarify. The point of
10 the whole thing is to bring a little more efficiency
11 to avoid exactly this sort of a situation, to allow
12 some planning. It is a voluntary at this point,
13 without sanction, request for cooperation, and I am
14 making it as such now to Yates in this case so that we
15 can use it as a planning tool to help make these
16 hearings more-- And, yes, I appreciate it when the
17 Applicant does indicate that there may be opposition.

18 MR. CARROLL: If that rule becomes
19 permanent, is that what the Commission is
20 anticipating, to make that an obligation on the
21 Applicant?

22 MR. STOVALL: It's not a rule at this
23 point, and I would like to keep it from being a rule.
24 I would like it to continue to be a voluntary,
25 cooperative effort on the part of the parties and I

1 don't think we need to say anything further.

2 There are no sanctions going to be imposed
3 as a result of it. We don't have any authority to do
4 so. I'm explaining to you why, and this is a good
5 example of why we've instituted that process. I don't
6 think anything further needs to be said because that,
7 in fact, is not an element of the decision in this
8 case. I want all the parties to understand that I
9 understand there is sort of a dual responsibility here
10 for this scheduling disruption. I have nothing
11 further, Mr. Examiner.

12 EXAMINER CATANACH: Do either of you
13 gentlemen have anything further in this case?

14 MR. BRUCE: Mr. Carroll first.

15 MR. CARROLL: No, that's all I have. I
16 would move for the admission of Yates Exhibits 1 and
17 2, though.

18 EXAMINER CATANACH: Exhibits 1 and 2 will
19 be admitted as evidence.

20 Now, Mr. Carroll your witness testified
21 that Yates would like more time to study the AFE.
22 You're not requesting a formal continuance at this
23 time, are you?

24 MR. CARROLL: Mr. Examiner, the position
25 that Yates finds itself in and the position that I

1 think we're presenting to the Commission, is that we
2 feel that the pooling process that has been applied
3 for by Santa Fe and the way that they have done it is
4 an abuse of that process; they've abused this process
5 in order to gain an upper hand in dealing with a party
6 who actually sold them 50 percent of the actual
7 acreage that they're wanting to drill under.

8 Furthermore, this Applicant comes to this
9 Commission without even having done its homework. I
10 mean, the day before they've just learned that they're
11 going to have to find a different location, this
12 potash thing.

13 We find that these leases are not under any
14 threat of loss, they're five-year leases, they've only
15 been in effect for a year, and, in fact, by their own
16 geological interpretations, the better place would be
17 to drill their own offset on their own acreage.

18 That's our position, yes. We would like to
19 see the application completely thrown out and them
20 told to at least present and perform a good-faith
21 effort to try and negotiate here and not use or allow
22 the Commission to be used as some kind of leverage
23 tool in this negotiation process.

24 That's what it appears to me is going on
25 here, and I think the Examiner can very well determine

1 where I'm coming from from the questions I asked on
2 cross-examination. But at the very least I think it
3 should be postponed indefinitely, that these parties
4 should be allowed to negotiate, and then until these
5 parties make a representation to this Commission that
6 they have, in good faith tried to negotiate, it should
7 be held in abeyance until the parties can make that
8 statement. And once that statement can, in good faith
9 be made, then it should proceed.

10 EXAMINER CATANACH: Thank you Mr. Carroll,
11 Mr. Bruce?

12 MR. BRUCE: Mr. Examiner, the Division
13 isn't here to make a deal for Yates. Basically, Yates
14 wants 40 percent back-in, they're not happen with what
15 Santa Fe offered, but Yates is asking what they
16 usually don't grant to other parties.

17 Now, Yates has been in this area for about
18 a year, they bought this lease that's in question
19 based on Santa Fe's geology. They've drilled other
20 wells in the area. They're totally familiar with the
21 area.

22 Santa Fe tried to conduct negotiations with
23 Yates for two months. They hit a brick wall. Nobody
24 would even respond to their offer until Tuesday. So,
25 I think good-faith negotiations have been conducted on

1 Santa Fe's part; maybe not on Yates' part, but on
2 Santa Fe's part.

3 There has been plenty of time to
4 negotiate. Furthermore, Your Honor, the order won't
5 be entered for a few weeks. There's a 30-day election
6 period. There's plenty of time yet for the parties to
7 negotiate, if that's what Yates wants to do after this
8 hearing.

9 Santa Fe has its well budgeted for this
10 year. If you figure out the time deadlines that I've
11 just mentioned or the time periods, it won't be
12 drilled until probably late October, maybe early
13 November, anyway; so, I fail to see what Yates'
14 problem is.

15 I think Mr. Carroll mischaracterized the
16 geology testified to by Mr. Seiler. This is a logical
17 step up. Mr. Seiler stated they want to get away from
18 the well in Section 8 because there was no
19 permeability.

20 And the final thing I have to say, Yates is
21 kind of implying that Santa Fe should wait until a
22 lease is ready to expire before drilling. I think
23 that's kind of foolish. That's what causes many
24 forced pooling problems in this first place.

25 I think this matter should be taken under

1 advisement and an order issued in accordance with the
2 normal time frames of the Division.

3 I would point out one further thing, Mr.
4 Examiner. As already acknowledged, there has to be a
5 directional drilling approval obtained, which will
6 also take additional time.

7 MR. CARROLL: Mr. Examiner, if I might make
8 one last comment, Mr. Bruce is saying there's still
9 time to negotiate and what have you. Once this
10 Commission takes action, there's no negotiation left.

11 The fact that Yates has got a well that's
12 being logged, that information could be very valuable
13 in deciding whether or not in this geological
14 information even Santa Fe stands to gain.

15 I think the characterization Mr. Bruce has
16 made that Yates is the one that's standing here, we're
17 willing to negotiate. An offer was made. Apparently
18 Mr. Norman was well aware of it. An offer was made
19 back, but there was no response to Yates'
20 counteroffer. That's the problem.

21 With that, I think the Commission should
22 consider my earlier comments and the Commission should
23 not allow itself to be foisted into the decision
24 process, and by issuing an order that's exactly what's
25 going to happen.

1 EXAMINER CATANACH: There being nothing
2 further in this case, Case 10049 will be taken under
3 advisement.

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CERTIFICATE OF REPORTER

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

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6 I, Carla Diane Rodriguez, Certified
7 Shorthand Reporter and Notary Public, HEREBY CERTIFY
8 that the foregoing transcript of proceedings before
9 the Oil Conservation Division was reported by me; that
10 I caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL August 31, 1990.

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Carla Diane Rodriguez
CARLA DIANE RODRIGUEZ
CSR No. 91

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My commission expires: May 25, 1991

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10049,
heard by me on August 22 1990.

David R. Catamb, Examiner
Oil Conservation Division