

CHAS. G. GORDON, JAMES STEWARTSON, COMPANION  
FOR CONSPIRACY TO KIDNAP, KIDNAP COURT,  
NEW MEXICO

Case Number

6078

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 10, 1977

## COMMISSION HEARING

IN THE MATTER OF:

Application of Morris R. Antweil for  
compulsory pooling, Eddy County, New  
Mexico; and Application of Yates  
Petroleum Corporation for compulsory  
pooling, Eddy County, New Mexico.

CASES  
6009 and  
6078  
CONSOLIDATED

BEFORE: Joe D. Ramey, Secretary-Director  
Phil R. Lucero, Member  
Emery C. Arnold, Member

TRANSCRIPT OF HEARINGA P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

FOR MORRIS R. ANTWEIL:

William F. Carr, Esq.  
CATRON, CATRON & SANTELL  
Attorneys at Law  
P. O. Box 788  
Santa Fe, New Mexico

FOR YATES PETROLEUM CO.:

W. Thomas Kellahin, Esq.  
KELLAHIN & FOX  
Attorneys at Law  
500 Don Gaspar  
Santa Fe, New Mexico

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I N D E X

	<u>Page</u>
1. Appearances	1
2. The Witness, Mr. R. M. Williams	
Direct Examination by Mr. Carr	6
Cross Examination by Mr. Kellahin	14
Redirect Examination by Mr. Carr	24
Recross Examination by Mr. Kellahin	25
Redirect Examination by Mr. Carr	29
Cross Examination by Mr. Stamets	30
Witness Excused	30
2. The Witness, Mr. Allen Antweil	
Direct Examination by Mr. Carr	30
Cross Examination by Mr. Kellahin	37
Witness Excused	41
4. The Witness, Mr. Johnnie M. Morgan	
Direct Examination by Mr. Kellahin	41
Cross Examination by Mr. Carr	47
Witness Excused	49
5. The Witness, Mr. Jack McCaw	
Direct Examination by Mr. Kellahin	49
Cross Examination by Mr. Carr	51
Witness Excused	52
6. Closing Statement by Mr. Carr	52
7. Closing Statement by Mr. Kellahin	56

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INDEX CONTINUED

Page

8. Reporter's Certificate

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

EXHIBIT INDEX

	<u>Page</u>
1	
2	
3 Antweil's Exhibit No. 1, Form C-101	8
4 Antweil's Exhibit No. 2, Map	8
5 Antweil's Exhibit No. 3, A.F.E.	9
6 Antweil's Exhibit No. 4, Land Map	9
7 Antweil's Exhibit No. 5, Letters	12
8 Exhibits No. 1 thru No. 5 Admitted	14
9 Yates' Exhibit No. 1, A.F.E.	42
10 Yates' Exhibit No. 2 and No. 6, A.F.E.	16
11 Yates' Exhibit No. 3, Letters	59
12 Yates' Exhibit No. 4, Letters	59
13 Exhibits No. 1 thru No. 4 Admitted	59
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

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1 MR. RAMEY: The hearing will come to order. In  
2 the other case, I have a telegram from the Northwest Pipeline  
3 Corporation, K. C. Bowman, "We have a letter addressed to  
4 the Commission in the mail opposing Tenneco's application  
5 for the designation of these two wells as Chacra.

6 Call Case 6009, application of Morris R. Antweil  
7 for compulsory pooling, and Case 6078, application of Yates  
8 Petroleum Corporation for compulsory pooling and these cases  
9 are being heard de novo.

10 Would you have any objection of consolidating these  
11 two cases, counselors?

12 MR. KELLAHIN: Mr. Ramey, I was getting ready to  
13 so move, to consolidate the two cases for purpose of  
14 testimony.

15 MR. RAMEY: It is my understanding that these two  
16 cases involve the same acreage. Call for appearances?

17 MR. CARR: William F. Carr, Catron, Catron & Sawtell  
18 appearing on behalf of the Applicant, Morris R. Antweil.

19 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,  
20 appearing on behalf of Yates Petroleum Corporation.

21 MR. RAMEY: I assume you have witnesses?

22 MR. KELLAHIN: Yes, sir.

23 MR. CARR: I have two witnesses.

24 MR. RAMEY: I will ask all of the witnesses to stand  
25 at this time and be sworn.

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1 (THEREUPON, the witnesses were sworn.)

2 MR. CARR: I understand that the cases have just  
3 been consolidated and separate orders will be issued?

4 MR. RAMEY: Yes, sir.

5 MR. CARR: Then, I will proceed unless you want to --

6 MR. KELLAHIN: May we incorporate the record of  
7 the previous hearing on Morris Antweil's application into the  
8 record of this case?

9 MR. CARR: I have no objection to that.

10 MR. RAMEY: All right, it will be incorporated.

11 MR. CARR: Some of what we intend to present today  
12 will be repetitive and I would call Mr. Bob Williams.

13  
14 R. M. WILLIAMS

15 was called as a witness by the applicant, and having been  
16 first duly sworn, testified upon his oath as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q Will you tell us your name and place of residence?

21 A I am R. M. Williams from Hobbs, New Mexico.

22 Q Mr. Williams, by whom are you employed?

23 A Morris R. Antweil.

24 Q In what capacity?

25 A As an engineer.

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1 Q Have you previously testified before the Commission  
2 and had your credentials accepted and made a matter of  
3 record?

4 A Yes, I have.

5 Q Are you familiar with the application in this case?

6 A Yes.

7 MR. CARR: Are the witness' credentials acceptable?

8 MR. RAMEY: Yes, they are.

9 Q (Mr. Carr continuing.) Briefly state what the  
10 applicant seeks in this case?

11 A The applicant has requested the compulsory pooling  
12 of the south half of Section 29, Township 18 South, Range 25  
13 East, of Eddy County, New Mexico, to be dedicated to a well  
14 to be drilled at a standard location thereon.

15 Also, the consideration of the cost of drilling and  
16 completing such well and the allocation of the costs thereof  
17 as well as the actual operating costs and charges for  
18 supervision and also to be considered the designation of the  
19 applicant as the operator of the well and a charge for risk  
20 involved in drilling of said well.

21 Q Mr. Williams, have you prepared or has there been  
22 prepared under your direction and supervision certain exhibits  
23 for introduction in this case?

24 A Yes, there has.

25 Q Will you please refer to what has been marked as

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1 Exhibit Number One and explain what it is and what it shows?

2 A Exhibit Number One is the Form C-101, Application  
3 to Drill, and it is submitted primarily to show the proposed  
4 casing and cementing program for a well to be drilled on the  
5 proposed unit.

6 Q Refer to what has been marked as Exhibit Two and  
7 explain what it is and what it shows.

8 A Exhibit Two shows the proposed gas proration unit  
9 and three hundred and twenty acres in the south half of  
10 Section 29, 18 South, 25 East.

11 It shows the working interest ownership in that  
12 three hundred and twenty acres with Antweil, et al, holding  
13 one hundred and sixty acres for fifty percent and Yates  
14 Petroleum Corporation, et al, holding one hundred and sixty  
15 acres for fifty percent.

16 Q You are speaking here today for the owners of fifty  
17 percent of the working interests in this well, is that  
18 correct?

19 A That's correct.

20 Q How much of the working interest has been committed  
21 to the unit?

22 A The fifty percent of Antweil, et al.

23 Q Do you anticipate the joinder of any other working  
24 interest owners?

25 A No, not at this point.

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1 Q I would ask you to refer to what has been marked  
2 as Exhibit Number Three and explain to the Commission what  
3 it is and what it shows?

4 A Exhibit Number Three is our A.F.E. cost estimate  
5 for the proposed well indicating the proposed estimated  
6 total cost of three hundred and eighty-five thousand dollars.

7 This is in range with our recent experience in the  
8 area. Our No. 1, Penasco Well to the north of this location  
9 cost three hundred and sixty-one thousand dollars, complete.

10 The No. 1 Rio Well in the north half of Section 29  
11 cost us three hundred and seventy-three thousand dollars,  
12 complete.

13 Q This figure includes both the cost of drilling and  
14 completing the well, is that correct?

15 A That's correct.

16 Q Please refer to what has been marked as Exhibit Number  
17 Four and explain to the Commission what it is and what it  
18 shows?

19 A Exhibit Number Four is a land map of the area under  
20 consideration.

21 On this map I have indicated the proposed proration  
22 unit to be compulsory pooled and outlined that with a red  
23 line being the south half of Section 29, approximately in the  
24 center of the map.

25 It indicates the proposed well with a red dot. It shows

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1 the successful Morrow completions in the area which are  
2 colored orange.

3 There are four successful, or apparently successful,  
4 Morrow completions in the immediate area of the proposed  
5 well and you might notice that there are four successful  
6 Morrow completions within several miles to the south which  
7 constitutes the Boyd Field.

8 Also, indicated with a blue dot are the dry or  
9 non-economic Morrow tests that have been drilled in this  
10 area.

11 Q Mr. Williams, have you made calculations as to the  
12 risk you are assuming in drilling this well?

13 A We consider the drilling and the development of the  
14 Morrow gas sand that any well will carry a fairly high degree  
15 of risk.

16 I think the real measure of risk involved or the  
17 consideration and the risk involved in this particular well  
18 if the requested proration unit is pooled if one of the parties  
19 then would refuse to join in the drilling of that well their  
20 reason, obviously, is that they consider the risk to be very  
21 high.

22 Q Mr. Williams, what risk factors were set on similar  
23 wells in the area?

24 A In a couple of wells in the area there, there has  
25 been compulsory pooling the south half of Section 20, 18, 25,

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1 and it was compulsory pooled with our No. 1 Penasco Well  
2 and was awarded a risk factor of two hundred percent.

3 Also, the north half of Section 20 was compulsory  
4 pooled for the drilling of our No. 1 La Comma Well and a two  
5 hundred percent risk factor was awarded.

6 Q In your opinion is the proposed location better or  
7 worse from a structural point of view than those in the area  
8 with a two hundred percent risk factor?

9 A Of course, our No. 1 Penasco Well was really the  
10 discovery of this particular Morrow gas production and would  
11 be considered a wildcat.

12 The No. 1 La Comma Well was an offset to an excellent  
13 well, excellent completion, and was awarded the risk factor  
14 of two hundred percent.

15 I would not consider this location to appear at this  
16 point to appear any better than the No. 1 La Comma appeared  
17 at the time we were preparing to drill it.

18 In conjunction with the evaluation of that risk it  
19 may be pointed out that the Bennett and Ryan well in Section 32,  
20 south of the proposed proration unit is completed from a  
21 different sand stringer than the -- than our Penasco well  
22 and our Rio well and the apparent productive interval in the  
23 Gulf well in Section 19 of 18, 25.

24 The primary sand that we would be drilling for, the  
25 sand that we have in our Penasco well, was not developed in

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1 the Bennett-Ryan well in Section 32.

2 Q Do you have a recommendation to make to the Commission  
3 as to what risk factor should be set on this well?

4 A We would request a two hundred percent risk penalty  
5 factor.

6 Q Do you have a recommendation to make to the Commission  
7 as to the overhead and administration costs for drilling and  
8 producing the well, if in fact, it is a producing well?

9 A Yes. We would request overhead charges of fifteen  
10 hundred dollars per month for a drilling well and two hundred  
11 and twenty-five dollars a month for a producing well.

12 Q Are the recommendations in line with what is being  
13 charged by other operators in the area?

14 A Yes, they are.

15 Q I would ask you to refer to what has been marked as  
16 Exhibit Number Five and explain what it is and what it shows?

17 A Exhibit Number Five is the four-page exhibit and  
18 it consists of the correspondence between Yates and Morris  
19 Antweil in regard to the well in the south half of Section 29.

20 Q Would you go through those?

21 A The first page of the exhibit is a letter dated July  
22 14, from Yates to Antweil, proposing their drilling of a well  
23 in the south half of Section 29, and including their A.F.E.  
24 cost estimate which was four hundred and twenty-five thousand  
25 dollars.

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1 The second page is our letter of July 26, to Yates  
2 Petroleum Corporation, where we proposed to drill a Morrow  
3 test in the south half of Section 29 and requested that Yates  
4 join us in the drilling and indicated that in the event that  
5 all of the working interests could not be joined the proposed  
6 drilling that we had requested a compulsory pooling hearing.

7 Also, with this letter we rejected their A.F.E.,  
8 their proposal to drill, as unapproved by us because of the  
9 forty thousand dollars difference in the estimated costs.

10 The third page is the letter of August 8th from our  
11 letter to Yates Petroleum and notified them of the docketing  
12 of the initial hearing of Case 6009 and enclosed with that  
13 was our A.F.E. cost estimate. Again, requesting their joinder  
14 in the well.

15 The final page is Yates Petroleum's letter of August  
16 22nd which they propose, again, that Antweil join them as  
17 the operator of the proposed well. They felt that they were  
18 entitled to operate said well and they would request this  
19 de novo hearing.

20 Q Mr. Williams, does Morris R. Antweil request to be  
21 designated operator of this well?

22 A Yes, he does.

23 Q In your opinion will the granting of this application  
24 be in the best interest of conservation and the prevention of  
25 waste and the protection of correlative rights?

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1 The second page is our letter of July 26, to Yates  
2 Petroleum Corporation, where we proposed to drill a Morrow  
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20 Q Mr. Williams, does Morris R. Antweil request to be  
21 designated operator of this well?

22 A Yes, he does.

23 Q In your opinion will the granting of this application  
24 be in the best interest of conservation and the prevention of  
25 waste and the protection of correlative rights?

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1 A Yes.

2 Q Do you have anything further to add to your testimony?

3 A No, I don't.

4 Q Were Exhibits One through Five prepared either by  
5 you or under your direction and supervision?

6 A One through Four were prepared by me or under my  
7 direction and Exhibit Five is copies of correspondence from  
8 Yates to us and from us to Yates. The letters from Antweil  
9 were written and signed by me.

10 MR. CARR: At this time I would offer Antweil's  
11 Exhibits One through Five.

12 MR. RAMEY: They will be admitted. Are there any  
13 questions from the witness at this time?

14 MR. KELLAHIN: If the Commission please.

15  
16 CROSS EXAMINATION

17 BY MR. KELLAHIN:

18 Q Mr. Williams, I would like to refer you to the hearing  
19 that we had on the seventeenth of August 1977, and go over  
20 with you some of the testimony at that hearing and see if  
21 you and I can agree where we disagree.

22 First of all, in reviewing your testimony from that  
23 hearing, Mr. Williams, I found a statement by you that you  
24 concluded with me in response to a question that both Morris  
25 R. Antweil and Yates Petroleum Corporation were competent

1 operators?

2 A Yes, we would agree with that.

3 Q So, we can't decide this case based upon the fact  
4 that one operator may be more competent than the other? We  
5 can agree that either operator is equally competent to do  
6 this job?

7 A We didn't make any contention otherwise.

8 Q I understand, but the Commissioners did not hear that  
9 case and the Examiner did and rather than go through all of  
10 that testimony I thought that we could summarize it.

11 The next thing that we looked at was an item by item  
12 cost comparison of the A.F.E. that Antweil submitted and the  
13 A.F.E. that Yates submitted to you. Do you remember that  
14 testimony?

15 A Yes.

16 Q And your letter of July 26th that you just testified  
17 to indicated that the reason you rejected the Yates' A.F.E.  
18 was that it was some thirty thousand dollars more than the  
19 proposed Antweil A.F.E., is that not correct?

20 A I believe it was forty.

21 Q The dry hole estimate on the Yates A.F.E. was two  
22 hundred and seventy thousand and the one I have on Antweil was  
23 two hundred and forty thousand.

24 A Okay, I was comparing the completed costs, I'm  
25 sorry. On the cost to the casing point, yes, apparently thirty

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1 thousand dollars differential and approximately forty thousand  
2 dollars differential on the cost to complete the well.

3 Q Okay. You told me at the hearing on August 17th that  
4 prior to your writing your letter on July 26th that you  
5 simply looked at the bottom line of the two A.F.E.'s and  
6 concluded that the Antweil estimate was more reasonable and  
7 that prior to writing the letter you did not make a line-by-line  
8 comparison of those entries.

9 That is correct, is it not?

10 A No, I think the total cost is the important item.

11 Q All right. Then, at that hearing we went through  
12 each of the items and you agreed with me that based upon the  
13 drilling of this particular well and depending on the drilling  
14 facts unknown to any of us it may be reasonable that the  
15 Antweil A.F.E. is correct and it may also be equally reasonable  
16 that the Yates' A.F.E. could be equally correct.

17 Is that not right?

18 A That's correct.

19 Q So, we simply cannot decide this case based upon  
20 looking strictly at which operator believes his cost to be  
21 the least?

22 A Our costs have been substantiated with our cost  
23 experience in the immediate area. We feel, firmly, that we  
24 can drill and complete the well for three hundred and eighty-  
25 five thousand dollars.

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1 Yates, apparently, submitted the A.F.E. and feels  
2 that it will cost four hundred and twenty-five thousand  
3 dollars.

4 We consider that to be a forty thousand dollar cost  
5 differential.

6 Q I understand that. In comparing the A.F.E. at the  
7 previous hearing we looked at those line entries in which there  
8 was a significant difference between the Antweil and the  
9 Yates' A.F.E., did we not?

10 A Yes. You inquired as to several of the specific  
11 costs comparisons.

12 Q All right. Now, let's look at those costs. On the  
13 Yates' A.F.E. they had estimated --

14 A Is this a part of our record?

15 Q Yes, sir, it is your Exhibit --

16 A I don't have a copy of it --

17 Q I believe it was attached to the July 14th letter.

18 A Not what I submitted to the Commission, no.

19 MR. RAMEY: We do not have a copy of it, the A.F.E.

20 MR. KELLAHIN: I thought it was attached to your  
21 letter, I apologize.

22 May I simply introduce out of order Yates' Exhibit  
23 Number Six which we will authenticate and submit into evidence  
24 with our witness?

25 MR. CARR: No objection.

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1 Q (Mr. Kellahin continuing.) Let's run down the  
2 comparison, Mr. Williams, of the two A.F.E.'s and first  
3 of all, there is a drilling footage rate and Yates has  
4 indicated a charge of fourteen dollars and twenty cents  
5 as an estimate and you have a charge of twelve dollars and  
6 seventy-five cents as an estimate.

7 I assume your rate is based upon the fact that a  
8 rig would be available, already, in the area?

9 A At the time we made the A.F.E. it was. Because of  
10 the delays that we have encountered because of the hearings  
11 the rig is no longer at our call.

12 When this is concluded we still think that our  
13 estimated costs will be reasonable.

14 Q Do you believe your cost will exceed the twelve  
15 dollars and seventy-five cents?

16 A I have no reason to believe it will exceed that at  
17 this point, no.

18 Q Okay. Let's look at the day work. The next entry  
19 on there by way of comparison shows that Yates estimated that  
20 it may take six days and I believe a comparison of yours will  
21 show five days, a difference of one day is it not?

22 A Let's see, you have your day work -- okay -- all in  
23 one spot and I have mine -- five to six, that's right.

24 Q Five to six. That's depending upon the problems,  
25 if any, encountered in the drilling of the well and either

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1 estimate by either operator could be equally correct?

2 A That's right. Might not even get the well drilled.

3 Q I agree. Let's look at the entry with regards to  
4 water and mud used. Yates estimated that it may take thirty-  
5 seven thousand dollars and you have indicated an entry of  
6 thirty thousand dollars and, again, you will agree with me  
7 will you not that either one, depending upon the circumstances,  
8 could be equally reasonable?

9 A Yes.

10 Q All right.

11 A You could spend a considerable sum of money if you  
12 wish.

13 Q Okay. Let's compare the entry under cementing. You  
14 have the Yates entry at thirteen thousand five hundred dollars  
15 and we have the Antweil entry at ten thousand eight hundred  
16 dollars and, again, depending upon the volume of cement that  
17 is required either one of those figures could be reasonable?

18 A Yeah. I didn't add ours up. Is that what ours  
19 adds up to?

20 Q Yes, sir, it does.

21 A I think the cost of cementing in all probability  
22 will be a fairly firm figure and possibly you provided to bring  
23 the cement on the production string up further than we thought  
24 necessary.

25 But that figure should be -- should be able to

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1 estimate it fairly close.

2 Q All right. Let's look at the drill stem test.  
3 Yates' estimated three and you have estimated two. Again, it  
4 is not unreasonable to assume there there may be two or  
5 three, is that true?

6 A That's true. From our experience in the area we  
7 would expect two.

8 Q All right, and if Yates elected to run only two, then  
9 the cost would be the same would it not?

10 A Probably.

11 Q Let's look at the entry under the cost of the well  
12 head and the Yates well head is for a new well head for  
13 eleven thousand seven hundred dollars and you propose a used  
14 well head for a total cost, I believe, of eight thousand  
15 dollars.

16 If you bought a new well head, then, your cost would  
17 be in line with Yates would it not?

18 A I haven't priced one lately but I imagine that it  
19 would be, yes, or in that neighborhood, at least.

20 I find it awfully hard to wear out a well head.

21 Q All right. Let's look at the production casing.  
22 There is a difference in price on the production casing that  
23 I attribute to the fact that Yates is going to buy new  
24 production casing and you propose to use used production casing.

25 In either situation that may be reasonable and

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1 prudent for either operator might it not?

2 A Correct.

3 Q And the same thing applies to the tubing. Yates  
4 proposes to buy new tubing and you propose to use used  
5 tubing?

6 A Correct.

7 Q All right. If the well required stimulation, and  
8 it may not, we don't know do we?

9 A No.

10 Q If it is stimulated Yates estimates it may cost  
11 sixteen thousand dollars to stimulate it and you propose  
12 eight thousand dollars and depending on the circumstances  
13 either one of those figures could be reasonable could it  
14 not?

15 A Correct.

16 Q And we look at the tank battery and Yates has  
17 proposed ninety-five hundred dollars for a tank battery and you  
18 don't have a figure down there -- but if tanks are required  
19 then that figure used by Yates is not unreasonable is it?

20 A I consider that that may be somewhat unreasonable  
21 to have that much tanking for all the more condensate that  
22 we have seen in that area -- you have about a year's storage  
23 there.

24 Q You have indicated that Yates proposes to use a  
25 used well head, used production casing, and used tubing.

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1 What is going to be the source of that used  
2 equipment?

3 A Did you say that Yates was going to use it?

4 Q I am sorry, --

5 A We will sell it to them.

6 Q I am sure you would. Antweil proposes to use the  
7 used equipment and what will be the source of your used  
8 equipment?

9 A Hobbs Pipe and Supply.

10 Q And who owns Hobbs Pipe and Supply?

11 A Morris R. Antweil.

12 Q I have lost track of which exhibit it was but I want  
13 to refer you to Mr. Scott Wilson's letter on behalf of the  
14 Yates Petroleum Corporation dated July 14th, 1977.

15 Do you have that in front of you?

16 A That is the first page of our Exhibit Five.

17 Q All right, sir. If we can't decide this case based  
18 upon who is the better operator, Mr. Williams, or on the  
19 question of one A.F.E. being more unreasonable than the  
20 other perhaps we can conclude this case based upon which  
21 operator desired to drill a well at this particular location  
22 first.

23 Is it not a fact that representatives or employees  
24 of Yates Petroleum Company contacted representatives of  
25 Morris Antweil first with regard to the drilling of this

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1 acreage?

2 A I can't testify to that.

3 Q All right.

4 A It was my understanding that in a discussion with  
 5 our people, with either Scott Wilson or Jack McCall, the  
 6 subject of the well in the south half of Section 29 and  
 7 subsequent to a well in the north half arose and who was  
 8 going to operate it was discussed on the fourteenth of July.

9 Q Okay. You don't have any specific recollection as to  
 10 which operator proposed to the other that they drill the  
 11 well?

12 A It was my understanding that our people contacted  
 13 Yates on that date.

14 Q Okay. What is the ownership interest of Morris R.  
 15 Antweil in this particular south half of Section 29?

16 A Morris R. Antweil?

17 Q Yes, sir.

18 A None.

19 Q All right. How do you attribute the fifty percent  
 20 working interest to him?

21 A Morris R. Antweil is the operator for the owners  
 22 of that lease. They constitute fifty percent of the acreage  
 23 within the proposed unit.

24 Q Okay. Do you have a breakdown of what those interests  
 25 are, Mr. Williams?

1 A I do but I am not certain that it is significant.  
 2 Q Oh, I think it is, Mr. Williams. Could you supply  
 3 that information for us?

4 A Do you want me to read it or do you want me to  
 5 submit it?

6 MR. CARR: It will suffice just to read it, *Certainly.*

7 A As to the one hundred and sixty acres that we  
 8 propose to include in the unit, the Moran Company has  
 9 fifteen percent; Allen J. Antweil, six point five percent;  
 10 D.A.&F. Well Servicing Company, five percent; S. D. Stead,  
 11 five percent; Murry M. Cash, five percent; Harvey E. Yates  
 12 and Company, five percent; Smith-Collins, two and a half  
 13 percent; Mike Tinley, one point two-five percent; Jack  
 14 Daniels, one point two-five percent; H. W. Smith, point five  
 15 percent; R. M. Williams, point five percent; Jim L. Sharp,  
 16 point five percent; Paul L. Silverman, point five percent;  
 17 Berry L. Antweil, point five percent; Mark R. Antweil, point  
 18 five percent; J. F. McDonald, point two-five percent;  
 19 Jimmy J. Reynolds, point one two-five percent; Denny B.  
 20 Hedspeth, point one two-five percent -- I am sorry, my  
 21 initial description of what those were was incorrect.

22 The percentages that I have just read will total  
 23 the fifty percent and that would be these parties ownership  
 24 in the entire proposed well rather than in the lease as  
 25 I designated.

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1 Their ownership in the one hundred and sixty  
2 acres would be twice that.

3 Q I understand. What was the ownership attributable  
4 to Morris R. Antweil?

5 A Zero.

6 Q And you attributed the six point five percent to  
7 Allen Antweil, was it not?

8 A Correct, six point five percent of the proposed  
9 well.

10 MR. KELLAHIN: All right, I got it. That concludes  
11 my examination of Mr. Williams. Thank you.

12 MR. RAMEY: Any other questions of the witness?  
13 Mr. Carr?

14  
15 REDIRECT EXAMINATION

16 BY MR. CARR:

17 Q Mr. Williams, while you have been employed by Morris  
18 R. Antweil you have drilled other wells in the immediate  
19 area of the proposed location have you not?

20 A Yes, we have drilled four previous Morrow tests in  
21 the immediate area.

22 Q Barring some unforeseen circumstance do your actual  
23 costs closely approximate the costs set out in your A.F.E.?

24 A Yes. Our actual costs are our Penasco and Rio wells  
25 which are completed wells and are producing somewhat less

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1 than our estimated cost of this well and they were estimated  
2 at approximately the same at the time that they were drilled.

3 Q Now, in regard to the differences between the  
4 Antweil A.F.E. and the Yates A.F.E., no matter how reasonable  
5 any particular decision may be is it not fair to say that the  
6 Yates proposal will cost more than the Antweil proposal?

7 A The total estimated cost is forty thousand dollars  
8 more and we consider that to be significant.

9 Q When you drill this well who will pay the costs?

10 A It would depend on whether there was joinder obtained  
11 from Yates or not subsequent to an order being issued.

12 If it was compulsory pooled and their interest was  
13 carried, then, the Antweil group would carry the full cost.

14 Q Would each of the individuals you named when you  
15 set out the percentages of the ownership interest in the  
16 Antweil group, will each of those individuals pay their  
17 proportional share of the cost of drilling the well?

18 A Yes, they would, and their proportionate share of  
19 the cost of carrying Yates' interest in the event that they  
20 declined to join.

21 Q And you are here today as a representative of all  
22 of these people?

23 A Correct.

24 MR. CARR: I have no further questions of this  
25 witness.

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1 MR. KELLAHIN: I have another question.

2 MR. RAMEY: Mr. Kellahin.

3  
4 RECROSS EXAMINATION

5 BY MR. KELLAHIN:

6 Q In light of that last statement, Mr. Williams, are  
7 you willing to guarantee to Yates that the actual cost of this  
8 well will not exceed the A.P.E.?

9 A No.

10 Q What figures would you like to increase before you  
11 make such guarantees?

12 A We would never make a guarantee.

13 Q Okay. Morris R. Antweil since filing their original  
14 forced pooling application has always been ready, willing  
15 and able to immediately commence the drilling of this  
16 well?

17 A Now, the situation would depend on the availability  
18 of the rig. I think that at the time we applied --

19 MR. CARR: I think that question is certainly  
20 irrelevant. The question is not if they are immediately  
21 ready. We would certainly be willing to stipulate for the  
22 record that we are prepared to commence the drilling of the  
23 well within the time of the standard compulsory pooling order.

24 MR. KELLAHIN: I think it is very relevant that the  
25 operator that is prepared to undertake the drilling of this

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1 well without further delay and I think it is further a  
2 significant factor in terms which of these operators ought  
3 to be granted the privilege of drilling it.

4 MR. RAMEY: It seems to me, gentlemen, that the  
5 Commission puts a time limit on the completion of the well  
6 on its order and I wonder if that wouldn't be sufficient to  
7 answer the question?

8 Q (Mr. Kellahin continuing.) All right. Let me ask  
9 you this question, what period of time would you like in the  
10 Commission order if Morris R. Antweil is designated the  
11 operator in which to commence the drilling of the well?

12 A I think ninety days is the normal consideration.  
13 We do not have a rig readily available to us at this point  
14 but we think we could get one in ninety days.

15 Q Did you ever express to employees of Yates Company  
16 that Antweil is not prepared to drill this well?

17 A I think the last we discussed this well with them  
18 we expressed some concern.

19 Q What was that concern you expressed?

20 A The performance of the surrounding wells.

21 Q Which are those wells? Was there not a plat  
22 introduced showing the location of the subject property?

23 A We have got one.

24 Q Which of the offsetting wells gives you concern, Mr.  
25 Williams?

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1 A The well to the north, the No. 1 Rio.

2 Q Is that in the north half of Section 29?

3 A Yes, and the well to the south, the Bennett-Ryan  
4 completion in Section 32.

5 Q Okay. Both of those wells were drilled by whom?

6 A Well, they were not both drilled by the same  
7 party.

8 Q Who drilled them?

9 A The Rio well was drilled by Morris R. Antweil. The  
10 well in Section 32 was drilled under the name of Bennett  
11 and Ryan.

12 Q Okay. Let me ask you again, did you ever express  
13 an opinion to the employees of Yates that Antweil was not  
14 prepared to drill this well?

15 A As I have answered before, we expressed our concern  
16 of the performance of our Rio well and the desire to see  
17 the initial performance of the Bennett and Ryan well at this  
18 point.

19 I understand that their well will be on the pipeline  
20 within the next week.

21 Q Okay. So, you are talking in terms of another week  
22 before you would be in a position to determine the drilling  
23 of this particular well?

24 A No, I didn't say that. I said that the well would  
25 be on production in a week.



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1 Q How much more time would you require?

2 A We would like to see how it performs.

3 Q For how long?

4 A Depending on how it performs. If it performs very  
5 poorly you could probably evaluate it in a few days.

6 If it performed extremely well you could probably  
7 evaluate it in a few days.

8 If it is intermediate you would like to see a little  
9 more history on it.

10 MR. KELUAHIN: No further questions.

11 A But I am sure we would be able to evaluate it by  
12 the time we got a rig.

13 MR. RAMEY: Mr. Carr?

14  
15 REDIRECT EXAMINATION

16 BY MR. CARR:

17 Q Mr. Williams, if the application of Morris R. Antweil  
18 is granted are you prepared to drill this well in the south  
19 half of this section within the time allowed by the order  
20 of the Commission?

21 A That's our intention.

22 Q That is a yes answer?

23 A Yes.

24 MR. CARR: That's all.

25 MR. RAMEY: Mr. Stamets?

CROSS EXAMINATION

2 BY MR. STAMETS:

3 Q Mr. Williams, even though Morris R. Antweil is not  
4 an owner of the acreage in this proposed proration unit, does  
5 Morris R. Antweil have the right to drill?

6 A Yes. He is the operator for the parties that have  
7 acquired an interest in this lease.

8 MR. STAMETS: Thanks. That's all.

9 MR. RAMEY: Any other questions of the witness?

10 He may be excused.

11 (THEREUPON, the witness was excused.)

12 MR. CARR: I'll call Mr. Allen Antweil.

14 ALLEN ANTWEIL

15 was called on behalf of the applicants, and having been first  
16 duly sworn, testified upon his oath as follows, to-wit:

18 DIRECT EXAMINATION

19 BY MR. CARR:

20 Q State your name and place of residence, please?

21 A Allen Antweil, Hobbs, New Mexico.

22 Q By whom are you employed?

23 A By myself and Morris R. Antweil and Hobbs Pipe and  
24 Supply Company.

25 Q And in what capacity do you serve?

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1 A General Manager.

2 Q Have you previously testified before this  
3 Commission and had your credentials accepted?

4 A Yes, sir.

5 Q Are you familiar with the application in this  
6 case?

7 A Yes.

8 MR. CARR: Are the witness' credentials acceptable?

9 MR. RAMEY: They are acceptable.

10 Q (Mr. Carr continuing.) Will you please summarize  
11 for the Commission the efforts made to obtain voluntary  
12 communitization of the acreage you are seeking the Commission  
13 to pool here today?

14 A Yes, sir. On July the 14th, I called Jack McCaw,  
15 who is present today for Yates and told him that I understood  
16 that there was a location staked in the south half of 29.

17 My people told me upon returning to Hobbs that the  
18 Yates had staked a well in the south half of 29.

19 He said, yes, that they were going to drill a well.  
20 I said that it was certainly our intention to drill a well  
21 in the south half of 29, also, and we want to be the operator.

22 He said, "Well, we want to drill a well in the  
23 south half of 29."

24 So, we talked about that in general-friendly terms  
25 for a little while and he said, "Well, maybe you ought to

1 talk to Mr. Yates, S. P. Yates."

2 I said, "Fine."

3 And Mr. Yates got on the phone and he and I discussed  
4 it in the same manner and I said that we would like to drill  
5 the well and he said that they would like to drill the  
6 well.

7 He said that he felt like it was only fair that they  
8 be the operators since we had already drilled several wells  
9 in there and it was in their backyard.

10 I said that we had drilled several wells in there and  
11 it was equally in our backyard as theirs and that we would  
12 like to be the operator.

13 That was the general input of the conversation.  
14 That is about where the conversation ended. The next day we  
15 received a letter from the Yates Company with -- I think it  
16 was Scott Wilson's letter -- dated the 14th.

17 Q You received a letter and was there anything attached  
18 did you say?

19 A Yes, I think there was the A.F.E. and we talked about  
20 the A.F.E. and it was considerably higher than ours and we  
21 felt that we could drill the well cheaper and that was  
22 sufficient reason for us to be the operator.

23 So, I authorized my people to go ahead and find out  
24 when the next docket came up and file for a forced pooling  
25 so that we could be the operator.

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1 Q Mr. Antweil, as you have been drilling wells in  
2 this particular area you have undoubtedly had to obtain  
3 either voluntary or forced joinder in these units from the  
4 Yates?

5 A Every time.

6 Q What sort of experience have you encountered?

7 A The same experience as this.

8 Q If I could direct your attention to the Penasco  
9 well, what experience have you had there?

10 A We have had to force pool them in that well.

11 Q Did they join, then?

12 A No, sir, they did not. We got a two hundred percent  
13 penalty and their acreage went into the well and we drilled  
14 a well and when it pays out why they will come back in for  
15 their interest after the penalty.

16 Q How about the Rio well?

17 A The Rio well we had to force pool them again and  
18 they chose to join before the thirty days after the order  
19 was issued -- before the hearing, excuse me, I take that  
20 back, that they chose to join before the hearing.

21 Q What about the La Comma?

22 A I think they just joined that well, also. I think  
23 we had to put it on the docket. I really don't remember.

24 Q All right, that's fine. So, in the past you have  
25 not been able to get voluntary commitment of acreage to a

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1 drilling unit from them?

2 A Only after we submitted a forced pooling order to  
3 the Commission.

4 Q Mr. Antweil, you have heard the discussions here  
5 today about how Antweil proposed to complete the well and I  
6 am talking about used tubing and used casing and material?

7 A Yes, I was here when Yates took exception to our  
8 running used material on the August 17th hearing.

9 Q Why do you use this type of tubing?

10 A Because it is cheaper.

11 Q Can you, across the board, complete wells for less  
12 by using this type of material?

13 A Yes, sir.

14 Q Now, do you increase your risk by using this used  
15 material?

16 A No, sir, I don't think so.

17 Q Do you test the tubing and the casing and other  
18 materials?

19 A Yes, sir.

20 Q How do you do that?

21 A It is a test that you perform on new or used pipe --  
22 we test it more than the pressure testing that they put on  
23 new pipe.

24 Q What percent of the yield?

25 A We test it to eighty percent of yield.

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1 Q Do you also check the diameter?

2 A Yes, sir.

3 Q Now, you have drilled a number of wells in south-  
4 eastern New Mexico and have you used used tubing and casing  
5 in a number of these?

6 A In everyone that we have ever been the operator  
7 on unless we didn't have the material.

8 Q Have you ever encountered a problem because you were  
9 using used casing?

10 A No, sir.

11 Q Now, Hobbs Pipe and Supply just does not serve  
12 Morris R. Antweil, is that correct?

13 A No, sir.

14 Q You sell to other individuals?

15 A Yes, sir.

16 Q Have you ever received a complaint from anyone  
17 because the materials you sold them failed or were not adequate  
18 for the job?

19 A No, sir.

20 Q Do you plan to get this material from Hobbs Pipe  
21 and Supply?

22 A Yes, sir, and make a profit -- that's our business.

23 Q Will it be at a competitive price?

24 A Yes, sir.

25 Q You are not a novice to the area I understand from

1 your testimony here today?

2 A No, sir, I have been in this business for over  
3 twenty-eight years.

4 Q Do you operate other wells in the immediate area?

5 A Yes, sir.

6 Q Where, exactly, are these?

7 A Well, we operate the Penasco well, the Incus well,  
8 and we drilled the La Comma and we operate the Rio all in  
9 the immediate area four miles south of Artesia.

10 Q Did you complete the well in the north half, I  
11 believe that is the Rio?

12 A Yes, sir.

13 Q In the same fashion that you propose to complete the  
14 well that would be drilled if your application is granted  
15 here today?

16 A Yes, sir.

17 Q If you were required to use new tubing and casing  
18 what do you think would be the affect on your drilling of  
19 the well?

20 A I think it would cost more.

21 Q Do you think you would have a better well when you  
22 would have completed it?

23 A No.

24 MR. CARRR: I have nothing further, Mr. Ramsey.

25 MR. RAMEY: Mr. Kellahin?

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CROSS EXAMINATION

1  
2 BY MR. KELLAHIN:

3 Q Mr. Antweil, counsel has asked you some questions  
4 with regard to the Rio well and the La Comma well, both,  
5 subject to forced pooling applications before this  
6 Commission?

7 A Yes, sir.

8 Q I would like to direct your attention to the Rio  
9 No. 1 Well in the north half of Section 29 and show you a  
10 letter dated May 3rd, 1977, written on your letterhead  
11 showing a demand upon Yates Petroleum Company for this acreage.

12 Are you aware of this letter?

13 A Yes, sir.

14 Q All right. You can see by the contents of that  
15 letter that your employees or your agents docketed the O.C.C.  
16 force pooling application before you gave Yates any written  
17 opportunity to voluntarily join you in that, is that not  
18 true?

19 A I really don't remember the exact circumstances  
20 surrounding that well. That's a long time ago.

21 Q The letter seems to speak for itself, does it not?

22 A Yes, sir.

23 Q All right. You took the same procedure in the La  
24 Comma No. 1 Well located in the north half of Section 20.

25 I show you a letter dated the twenty-ninth of June

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1 1977, and the contents of that letter, Mr. Antweil, appears  
2 that your employees or agents docketed the O.C.C. forced  
3 pooling application before you gave Yates any opportunity to  
4 voluntarily join your acreage, is that not true?

5 A I really don't remember the exact circumstances of that  
6 well. The letter is certainly evident that it was our  
7 intention to drill the well and if they would like to join  
8 they could and I don't know anything in the record that it is  
9 necessary unless you want to drill a well and if the people  
10 want to join they can join by signing the A.F.E.

11 If you have one acre you can request to be the  
12 operator as far as the statutes go and ask that you be  
13 designated the operator and give everybody the opportunity to  
14 join.

15 So, I don't see anything wrong with that, Mr.  
16 Kellahin.

17 Q Well, I do, Mr. Antweil.

18 MR. CARR: Are you testifying, Mr. Kellahin?

19 MR. KELLAHIN: No.

20 Q (Mr. Kellahin continuing.) It appears, Mr. Antweil,  
21 that you never had any desire at good faith to attempt to  
22 reach a voluntary agreement --

23 MR. CARR: I object to the question. There is no  
24 foundation for reaching that kind of a conclusion. If Mr.  
25 Kellahin would like to testify he should hire an attorney and

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1 take the stand.

2 MR. LUCERO: Mr. Kellahin, is there an element of  
3 good faith -- where does it enter into the issue here?

4 MR. KELLAHIN: I believe the statute requires that  
5 prior to forced pooling that the designated operator make  
6 some reasonable effort to voluntarily join the remaining  
7 acreage.

8 MR. CARR: I would be glad to read the section of  
9 the statutes which is Section 64-3-14 (c):

10 "When two or more separately owned tracts of land  
11 are embraced within a spacing or proration unit, or where  
12 there are owners of royalty interests or undivided interests  
13 in oil and gas minerals which are separately owned or any  
14 combination thereof, embraced within such spacing or proration  
15 unit, the owner or owners thereof may validly pool their  
16 interests and develop their lands as a unit. Where, however,  
17 such owner or owners have not agreed to pool their interests,  
18 and where one such separate owner, or owners, who has the  
19 right to drill has drilled or proposes to drill a well on  
20 said unit to a common source of supply, the Commission, to  
21 avoid the drilling of unnecessary wells or to protect  
22 correlative rights, or to prevent waste, shall pool all or  
23 any part of such lands or interest or both in the spacing or  
24 proration unit as a unit."

25 I see no requirement for any sort of good faith or

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1 any time requirement or any sort of effort before or after  
2 an application is filed.

3 I would further submit in response to this point  
4 that once an application is filed there is still an extended  
5 period of time within which an individual who is being forced  
6 pooled -- within which they may voluntarily come in and join  
7 the unit.

8 MR. KELLAHIN: I think the point is relevant in  
9 that Mr. Antweil has testified that everytime he does business  
10 with Yates he has to force pool them -- in response to this  
11 letter of July 26, 1997; in the telephone conversation between  
12 them on the fourteenth of July -- he simply indicates that  
13 this pattern of operation is his only ability to do business  
14 with Yates is to force pool them.

15 I am simply contending that that is not the case.  
16 That it is the practice to file the application and then  
17 see if he can work out an effort to reach an agreement. So,  
18 I think I have made my point.

19 MR. CARR: May it please the Commission, I would  
20 submit that no matter how these two individuals do business  
21 that it doesn't fall within the scope of this hearing nor  
22 arises under the statute which I have quoted to you.

23 MR. RAMEY: I think the point has been made.

24 MR. KELLAHIN: I have no further questions of Mr.  
25 Antweil.

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1 MR. RAMEY: Does anyone have any questions of Mr.  
2 Antweil?

3 He may be excused.

4 (THEREUPON, the witness was excused.)

5 MR. RAMEY: Anything further, Mr. Carr?

6 MR. CARR: That concludes my direct.

7 MR. RAMEY: Let's take about a fifteen minute  
8 recess.

9 (THEREUPON, the hearing was in recess.)

10  
11 MR. RAMEY: The hearing will come to order. Mr.  
12 Kellahin?

13  
14 JOHNNIE M. MORGAN

15 was called as a witness by the protestants, and having been  
16 first duly sworn, testified upon his oath as follows, to-wit:

17  
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Would you please state your name and by whom you  
21 are employed and in what capacity?

22 A My name is Johnnie M. Morgan and I am employed by  
23 Yates Petroleum Corporation as production engineer.

24 Q Mr. Morgan, have you previously testified before the  
25 Commission as a production engineer and had your qualifications

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1 accepted and made a matter of record?

2 A Yes, sir, I have.

3 Q Have you made a study of and are you familiar with  
4 the facts surrounding this particular application by Yates?

5 A Yes, sir, I am.

6 MR. KELLAHIN: If the Commission, please, are the  
7 witness' qualifications acceptable?

8 MR. RAMEY: Yes, they are acceptable.

9 Q (Mr. Kellahin continuing.) Mr. Morgan, I show you  
10 what I have marked as Yates' Exhibit Number One, which is  
11 the A.F.E., and ask you to identify it and explain what  
12 information it contains?

13 A Exhibit Number One is a A.F.E. written by Yates  
14 Petroleum Corporation which is the estimated cost to drill,  
15 complete and equip a Morrow test well, the subject well, which  
16 would be the Antweil I.K. State No. 1, in the south half  
17 of Section 29 of 18 South, 25 East.

18 Q Does Yates Petroleum Corporation desire to be  
19 designated the operator of that acreage?

20 A Yes, sir, they do.

21 Q You heard Mr. Williams' testimony on behalf of  
22 Morris R. Antweil did you not?

23 A Yes, sir, I did.

24 Q Are you in agreement with Mr. Williams with regards  
25 to the risk factor that ought to be assessed in this particular

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1 matter?

2 A Yes, sir.

3 Q He indicated a risk factor of two hundred percent?

4 A Yes, sir, that's correct.

5 Q In your opinion regardless of which applicant is  
6 designated the operator, you believe that the two hundred  
7 percent risk factor be a fair and reasonable charge?

8 A Yes, sir, I would say that.

9 Q I refer you to Mr. Williams' testimony with regards  
10 to the normal charges for cost and supervision while drilling  
11 and after drilling the well.

12 I believe Mr. Williams' testimony was that during  
13 the drilling the cost of supervision was fifteen hundred  
14 dollars a month.

15 In your opinion, Mr. Morgan, is that a fair and  
16 reasonable charge?

17 A Yes, sir, I believe so.

18 Q If Yates Petroleum Corporation is, in fact, designated  
19 the operator of this half section would you propose that  
20 fifteen hundred dollars be charged for supervision costs while  
21 drilling?

22 A Yes, sir, I believe that is reasonable.

23 Q And the other charge I think was two hundred and  
24 twenty-five dollars a month after drilling?

25 A Yes, sir.

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1 Q In your opinion, Mr. Morgan, is that a fair and  
2 reasonable charge?

3 A Yes, sir, I believe it is.

4 Q Okay. Let me look to the subject matter of the  
5 A.F.E. and ask you if you have made a comparison of the  
6 Yates' A.F.E. with the Antweil's A.F.E.?

7 A Yes, sir. I have.

8 Q All right. You have got that comparison before you?

9 A Yes, sir, I have.

10 Q I don't know that we have had that marked as an  
11 exhibit and I will mark that as Yates' Exhibit Number Two  
12 and ask you how you prepared that exhibit?

13 A I simply compared the proposed A.F.E. with the  
14 proposed Morris R. Antweil A.F.E. and tried to compare apples  
15 and apples and oranges and oranges to decide which A.F.E.  
16 was more reasonable.

17 Q Based upon your experience, Mr. Morgan, can you  
18 express an opinion with regard to the reasonableness of  
19 equipping a well with used material, as proposed by Antweil?

20 A In my experience with Yates Petroleum or with a  
21 major oil company, or with other oil companies, I have never  
22 used used equipment.

23 Q What is the potential risk with used equipment, Mr.  
24 Morgan?

25 A I am not certain as to what the risk factor might

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1 be. I would consider it to be somewhat higher, though.

2 MR. CARR: I don't believe the witness is qualified  
3 to testify with regard to the risk from his experience with  
4 used material since he has just admitted that he has never  
5 had any experience with used material.

6 MR. RAMEY: I think you are correct, Mr. Carr.

7 Q (Mr. Kellahin continuing.) In the -- have you made  
8 a cost comparison between the use of used tubing and casing  
9 and compared it to the cost of the new versus the used costs  
10 of casing and tubing?

11 A Yes, sir, I have.

12 Q Please go ahead --

13 A I find that for the used well head his estimated  
14 cost to be eight thousand dollars and a new one is approximately  
15 twelve thousand dollars.

16 Five and a half inch production casing, the used  
17 casing will cost approximately forty-five thousand dollars and  
18 the five and a half inch production casing, proposed new by  
19 Yates, is forty-seven thousand two hundred dollars.

20 The tubing, two and three eighths inch tubing, the  
21 used tubing is fifteen thousand eight hundred dollars and  
22 the two and three eighths new tubing by Yates is seventeen  
23 thousand five hundred dollars.

24 Q Have you made a study to determine whether the proposed  
25 prices for the used materials as suggested by Antweil in the

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1 A.F.E. are reasonable?

2 A Yes, sir. In my opinion they are somewhat high.  
3 It has been my experience in using used equipment in the  
4 past --

5 MR. CARR: I would have to renew my objection. He  
6 has not had experience in using used materials based on his  
7 own admission.

8 A Well, if I may clarify this. I have not used used  
9 equipment in the drilling of a new well but we have used  
10 used equipment in material transfers from one lease to another  
11 with production equipment whether it be tubing, pumping  
12 equipment or flow lines and things of this nature.

13 Our rule of thumb is this, that tubing that has  
14 been used and has been tested and drifted will be valued  
15 at approximately seventy-five percent of new.

16 Q (Mr. Kellahin continuing.) What is the percentage  
17 comparison between the new and used as suggested by Antweil?

18 A The well head equipment is somewhat lower than  
19 seventy-five percent. The tubing and the production casing  
20 is higher.

21 Q Is Yates Petroleum Corporation prepared to commence  
22 the drilling of this well if they should be designated the  
23 operators?

24 A Yes, sir, we are.

25 Q Mr. Williams indicated that a period of some ninety

1 days after entry of the order be a reasonable time in which  
2 to commence the drilling of these wells.

3 Do you agree or disagree?

4 A Yates will be prepared to drill the well within  
5 sixty days.

6 MR. KELLAHIN: I have no further questions of Mr.  
7 Morgan.

8 MR. RAMEY: Any questions of the witness? Mr.  
9 Carr?

10 MR. CARR: I have several.

11  
12 CROSS EXAMINATION

13 BY MR. CARR:

14 Q Do your figures on casing costs include the  
15 transporting the casing to the well?

16 A Yes, sir, they do.

17 Q Now, you indicated that in your experience, such  
18 as it is --

19 MR. KELLAHIN: I would object to that comment.

20 Q (Mr. Carr continuing.) I will rephrase the question.  
21 Based on your experience you indicated that the cost of used  
22 equipment should be approximately seventy-five percent of  
23 the new?

24 A Yes, sir.

25 Q Do you know what factors go into determining the

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1 cost of used?

2 A The age and the condition of the equipment and the  
3 prior service of the equipment.

4 Q Could it also include the demand for different types  
5 of casing as well as for tubing?

6 A Yes, sir.

7 Q So, it is not surprising that there is some  
8 fluctuation item by item?

9 A I would not be surprised.

10 Q Mr. Morgan, how long have you been employed by Yates?  
11 I just didn't hear that?

12 A One year.

13 Q Are you familiar with Yates' efforts in preparing  
14 their A.F.E.'s proposed in the drilling of other wells?

15 A Yes, sir, I am.

16 Q Based on your experience do the costs, barring  
17 unforeseen circumstances, do the costs usually come in fairly  
18 close to the A.F.E.?

19 A Yes, sir.

20 Q Would you guarantee that the costs of this well will  
21 not go over the A.F.E.?

22 A No, sir, I won't.

23 MR. CARR: I have no further questions.

24 MR. RAMEY: Any other questions of the witness?

25 MR. KELLAHIN: No, sir.

MR. RAMEY: He may be excused.

(THEREUPON, the witness was excused.)

JACK McCRAW

was called as a witness by the protestants, and having been first duly sworn, testified upon his oath as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. McCaw, will you please state your name and by whom you are employed and in what capacity?

A Jack McCaw and I am employed by Yates Petroleum Corporation as a landman.

Q And your last name is spelled M-c-C-a-w.

A Yes, sir.

Q All right, sir. How long have you been employed by Yates Petroleum Corporation in that capacity?

A Twenty years.

Q Have you previously testified before the Commission in your capacity as a landman?

A I have.

Q And were your qualifications accepted and made a matter of record?

A Yes, sir.

MR. KELLAHIN: I ask the Commission to recognize Mr.

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1 McCaw as an expert regarding land matters.

2 MR. RAMEY: The Commission considers him qualified.

3 Q (Mr. Kellahin continuing.) Mr. McCaw, let me ask  
4 you with regard to the subject acreage, did you first contact  
5 Morris R. Antweil or his employees or representatives or did  
6 they first contact you with regards to the drilling of the  
7 subject well?

8 A We contacted them first.

9 Q When did that take place?

10 A July the 14th.

11 Q Will you relate for the benefit of the Commission  
12 to the best of your recollection the substance of that  
13 conversation and how it transpired?

14 A We prepared the A.F.E. and Scott Wilson had written  
15 the letter dated July 14th and that afternoon I was talking  
16 to Bob Williams and I told him that we were going to mail it  
17 that afternoon.

18 Q What, if any, response did Mr. Williams give you?

19 A I don't remember that he said anything.

20 Q After that conversation terminated what, if any,  
21 conversations did you have that day with representatives of  
22 Morris R. Antweil?

23 A Well, Mr. Allen called in about an hour.

24 Q In summary, what was the context of that conversation?

25 A Well, he insisted that he operate the well and that

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1 we shouldn't operate it -- that he should.

2 Q Okay. What is the ownership interest that Yates  
3 Petroleum Corporation has in the south half of Section 29?

4 A Fifty percent.

5 Q Based upon your experience, Mr. McCaw, what is the  
6 custom and practice within the industry with regards to  
7 picking an operator for acreage to operate the well?

8 A In all instances that we are familiar with the  
9 largest owner usually operates it, if he wants to.

10 Q In terms of the south half of Section 29 who is the  
11 largest owner?

12 A Yates Petroleum Corporation.

13 MR. KELLAHIN: I have no further questions.

14 MR. RAMEY: Mr. Carr?

15

16

CROSS EXAMINATION

17 BY MR. CARR:

18 Q Mr. McCaw, I seem to have a question about what  
19 happened on the fourteenth of July.

20 It is your recollection that you called Antweil?

21 A I didn't say that I called. I said that I was  
22 talking to Bob. I don't remember who called who. All I know  
23 is that we were talking and I don't even remember what we  
24 discussed.

25 Q Okay. But there were discussions on that date?

1 A Yes, and I told him about this letter and the  
2 -- that the A.F.E. would be in the mail that afternoon.

3 Q And it wouldn't be inconsistent with your recollections  
4 that there were two telephone calls from Artweil to you,  
5 your office, that day concerning this well?

6 A Oh, there could have been a hundred.

7 Q Okay, I just wanted to clarify -- there definitely  
8 was a discussion on July 14th concerning the drilling of  
9 this well and who was to be the operator?

10 A Yes.

11 Q That's all I just wanted to -- do you own fifty  
12 percent of this well?

13 A Yates Petroleum Corporation does.

14 Q You own or just represent?

15 A Yates Petroleum Corporation and the stockholders of  
16 Yates Petroleum Corporation own fifty percent.

17 Q How does this ownership interest figure break down,  
18 and your stockholders, could you give them to me?

19 A Twenty-five percent is Yates Petroleum Corporation;  
20 and the other twenty-five percent is Yates Milling Company;  
21 Martin Yates, III; and John A Yates, who owns Yates Petroleum  
22 Corporation.

23 Q But, in fact, you stand here representing fifty  
24 percent of the ownership?

25 A Right.

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1 Q Is that correct?

2 A Right.

3 Q What percent does Antweil represent here today?

4 A Morris Antweil -- he says that he represents fifty  
5 percent.

6 Q Do you have any reason to believe that that isn't  
7 true?

8 A Not necessarily.

9 MR. CARR: Okay. I have nothing further.

10 MR. RAMEY: Any other questions of the witness? He  
11 may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. RAMEY: Any other witnesses?

14 MR. KELLAHIN: No, sir, that completes our case.

15 MR. RAMEY: Any closing statements?

16 MR. CARR: This case originally came before an  
17 Examiner of this Commission on the application of Antweil to  
18 force pool the south half of Section 29, Township 18 South,  
19 Range 25 East. This case occurred on August 17th and Yates  
20 appeared in opposition to that application and there was a  
21 considerable amount of testimony at that time and the record  
22 has been incorporated into this hearing.

23 But the one fact that stands out at that hearing  
24 was that the Yates' A.F.E. was approximately forty thousand  
25 dollars more than the Antweil's A.F.E.

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1 An order was entered by this Commission granting  
2 Antweil's application and designating Antweil the operator  
3 and a de novo hearing was promptly called for by Yates and  
4 an application in their own right requesting that they be  
5 designated the operator.

6 Now, Yates is obviously displeased with the fact  
7 that Antweil sought a forced pooling order. But I think the  
8 testimony here today makes it absolutely clear that at least  
9 before Antweil even filed his application for forced pooling  
10 that there had been considerable discussion between his  
11 office and that of Yates concerning the drilling of the well  
12 and who would be designated operator.

13 Now, the past experience Antweil had indicated that  
14 when trying to put together a unit in this situation in which  
15 he was working with the Yates that you generally had to file  
16 a forced pooling application for serious negotiations to  
17 begin and they did just that in this case.

18 Now, Antweil complied with all of the statutes. He  
19 complied with the statute that I read earlier in all respects  
20 and he got the order that he was entitled to get after those  
21 proceedings.

22 Now, Yates has tried to put in some sort of notice  
23 or good faith requirement in this thing. We are not prepared  
24 to sit here and say that good faith has not been used on either  
25 side because we believe, in fact, that all actions have been

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1 conducted in a manner consistent with good faith.

2 But we do think that it is strange that Yates would  
3 try and read something into the rule, something which is not  
4 there and which, in fact, is full of pitfalls for the  
5 Commission should they start requiring some sort of a period  
6 before applications can be filed.

7 I think that the testimony here today shows that  
8 Antweil and Yates stand in the same position, each represents  
9 fifty percent of the working interests, each represents fifty  
10 percent of those who, if they join in the drilling of the  
11 well, will pay the cost of the drilling of the well.

12 Yates is obviously concerned with the type of pipe  
13 that will be used. But I believe the testimony will clearly  
14 show that the type of pipe proposed to be used on this well  
15 has been used in other wells in the area and has never, in  
16 fact, been a source of a problem.

17 That the pipe will be tested and that it will be  
18 tested for more than or to a greater extent than even new  
19 pipe is tested and that it will cost less.

20 Now, should this Commission decide to rule for Yates,  
21 I think you will be making a selection between competent  
22 operators and there is going to have to be some basis for  
23 the decision.

24 If it is on whether or not used or new tubing should  
25 be used in a well, I think that that is a dangerous position

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1 for the Commission to get into. I don't think that is the  
2 kind of a decision the Commission wants to make.

3 I think the real question that is before you and  
4 both sides have testified that when they drill a well how  
5 close the well comes in at the A.F.E., barring some unforeseen  
6 circumstances, and I think the real question before this  
7 Commission is whether or not you are going to require the  
8 working interest owners who are going to be paying the cost  
9 of this well to pay forty thousand dollars additional money  
10 for basically the same well.

11 Now, if you look at the Commission's standards for  
12 a forced pooling order -- any forced pooling order that I can  
13 find the fifth finding reads as follows:

14 "That to avoid the drilling of unnecessary wells and  
15 to protect correlative rights and to afford to the owner of  
16 each interest in said unit the opportunity to recover or  
17 receive without unnecessary expense its just and fair share  
18 of the gas in said pool and the subject application should  
19 be approved."

20 And it continues -- and I would submit to you that  
21 that finding couldn't be used if you found for Yates because  
22 you would be requiring unnecessary expense.

23 Now, this Commission is charged, among other things,  
24 to prevent waste. Waste can be defined as economic waste.  
25 The drilling of unnecessary wells is economic waste.

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1 Requiring the working interest owners to spend  
2 forty thousand dollars more, I submit to you is the same  
3 question, it is economic waste.

4 Antweil appeared before you once before and got the  
5 order they felt that they were entitled to and we contend here  
6 today that we are entitled to the same order.

7 MR. RAMEY: Thank you, Mr. Carr. Mr. Kellahin?

8 MR. KELLAHIN: If the Commission please, we have  
9 made some facetious remarks about this being a penny-flipping  
10 case and that all matters are reasonably equal, but to me  
11 that is not the case.

12 That you cannot flip a coin because the equities  
13 stand for Yates Petroleum Corporation.

14 The question before the Commission is not an easy  
15 one to resolve. We have agreed that either operator is  
16 a competent operator in this situation.

17 We have agreed that the risk factor is going to  
18 be about the same. The costs of supervision of the well  
19 are going to be approximately the same.

20 Mr. Carr places much emphasis on the difference of  
21 the A.F.E.'s. We have shown from Mr. Williams' testimony  
22 that those costs differences on the bottom lines don't mean  
23 much when you look at the individual entries. The difference  
24 is some ten percent.

25 We all know that A.F.E.'s are nothing but an estimate

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1 and that those costs will vary.

2 Whether it is prudent or not, the use of certain  
3 used equipment in the well, I don't think this is how this  
4 case should be decided. Mr. Carr has indicated that this  
5 is how to decide this case.

6 How do we do it? Well, you can do it one of two  
7 ways. Perhaps you can look to see which of the operators  
8 were first in time, if everything else is equal. The first  
9 in time is the guy who ought to get it.

10 Now, is that first in time with regards to the first  
11 man that made a telephone call and decided that I want to  
12 drill the well?

13 If that's the situation we believe that the testimony  
14 shows the first person to suggest the well was Yates. They  
15 staked the location and they prepared the A.F.E. and that  
16 they were in the process of submitting it to Antwell.

17 Telephone conversations took place and that is one  
18 way to decide.

19 Another way to decide it is to decide it on the basis  
20 of the guy gets to the Commission first -- it's a race -- the  
21 one that files his application first is the guy that wins.

22 I don't think any of those ways are the right way.  
23 I think you do it as Mr. McCaw suggested in his testimony.  
24 What is the custom and practice of the industry? You choose  
25 the operator that has the biggest ownership interest in the

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1 subject well.

2           Why do we do that? Practical consideration. The  
3 guy that has got the biggest ownership interest is the one  
4 that is going to try to make the best well -- he has got  
5 the biggest economic risk involved and he is going to be  
6 the more prudent.

7           We find that in our day-to-day operations. If you  
8 own ten or fifteen percent of something, of a particular  
9 business of proposition, you are not going to devote as much  
10 time to it as the situation where if you may own fifty or  
11 sixty percent. That's just human nature.

12           In this case Mr. Carr argues that they are both  
13 equal. That they are both in a fifty-fifty position. Such  
14 is not the case.

15           The statute requires that owners who have not agreed  
16 pool their interests and they come to the Commission for a  
17 forced pooling application.

18           It is our contention that Morris R. Antweil has  
19 failed to meet that burden of proof by the admissions of Mr.  
20 Williams who has indicated under cross examination in breaking  
21 down the ownership interests that Morris R. Antweil owns  
22 zero.

23           Zero to fifty percent indicates to me that a  
24 reasonable, rational, decision in this case designates the  
25 Yates Petroleum Corporation as the operator. Thank you.

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1 MR. RAMEY: Thank you. Is there anything further  
2 in this case?

3 Did you offer your exhibits, Mr. Kellahin?

4 MR. KELLAHIN: I did not and I would like to do so  
5 at this time. I have Exhibits One and Two which were the  
6 A.F.E.'s and the comparison of the A.F.E. and then there were  
7 two more that were Aptweil's letters of May 3, '77, and the  
8 June 29, 1977, letters which Mr. Antweil identified and  
9 may we have those submitted into evidence?

10 MR. RAMEY: Okay. I think the first letter was but  
11 I don't have the second one. They will be admitted.

12 The Commission will take the case under advisement  
13 and the hearing is adjourned.

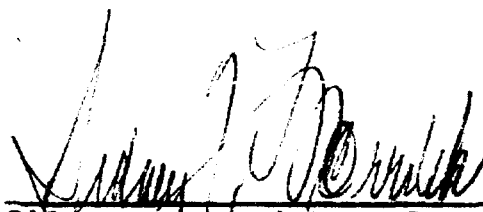
14 (THEREUPON, the hearing was concluded.)  
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

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# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501



DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO

STATE GEOLOGIST  
EMERY C. ARNOLD

December 27, 1977

Mr. William F. Carr  
Catron, Catron & Sawtell  
Attorneys at Law  
P. O. Box 788  
Santa Fe, New Mexico

Re: CASE NO. 6078  
ORDER NO. R-5595

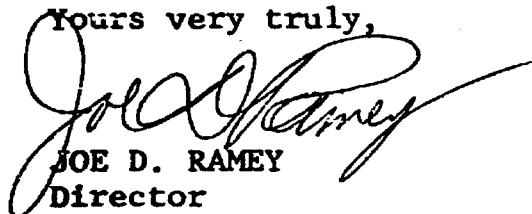
Applicant:

Yates Petroleum Corporation

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC X  
Aztec OCC           

Other Tom Kellahin

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 6078  
Order No. R-5595

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of December, 1977, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Wolfcamp and older formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That interest owner Morris R. Antweil previously sought an order pooling the same acreage at an examiner hearing held on August 17, 1977.

(4) That on October 18, 1977, the Commission entered its Order No. R-5546 in Case No. 6009 pooling the above-described acreage and designating Morris R. Antweil the operator of the subject well and unit.

(5) That, subsequent to the August 17, 1977, examiner hearing, the applicant applied for both an order pooling the subject unit and a De Novo hearing in Case No. 6009.

(6) That these cases came on for hearing before the Commission on November 10, 1977.

-2-

Case No. 6078  
Order No. R-5595

(7) That the Commission has affirmed its Order in Case No. 6009, and therefore this application should be denied.

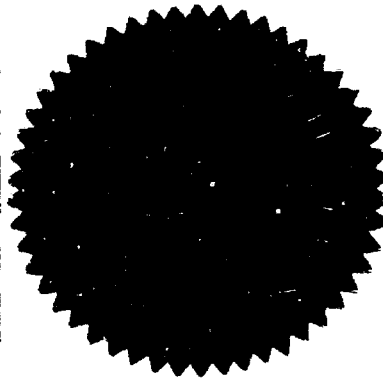
IT IS THEREFORE ORDERED:

(1) That the application of Yates Petroleum Corporation for an order pooling all mineral interests in the Wolfcamp and older formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, is hereby denied.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman

*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

jr/

**AUTHORITY FOR EXPENDITURE**  
Yates Petroleum Corporation

Estimated Cost to Drill,  
Complete & Equip, 8900'  
Morrow Test

Antweil "IK" State No. 1  
S/2 Sec. 29-18S-25E  
Penasco Draw Morrow, Eddy Co.

	<u>Dry Hole</u>	<u>Completion</u>
Staking Permit & Legal Fees	\$ 300	\$ 300
Location, Right-of-Way & Surface Damages	\$ 5,500	\$ 6,500
Drilling: Footage, 8900' @ \$14.20	\$126,400	\$126,400
Daywork, 6 days @ \$3100	\$ 18,600	\$ 18,600
Water, Mud & Additives, Pit Lining	\$ 36,000	\$ 37,000
Cementing, Tools & Services, Temp. Surveys	\$ 9,300	\$ 13,500
Electric Logs & Perforating	\$ 16,000	\$ 21,000
Mud Logging Unit	\$ 5,600	\$ 5,600
Drill Stem Testing	\$ 3,500	\$ 3,500
Tool Rentals, Trucking & Welding	\$ 3,000	\$ 3,700
Supervision & Overhead	\$ 3,000	\$ 3,800
Completion Unit, 7 days @ \$660	\$ -	\$ 4,600
Stimulation	\$ -	\$ 16,000
Contingency	\$ 24,800	\$ 29,500
<b>TOTAL INTANGIBLES</b>	<b>\$252,000</b>	<b>\$290,000</b>
Xmas Tree	\$ 1,200	\$ 11,700
Casing: 13 3/8" 48# J-55, 400' @ \$13.89	\$ 5,600	\$ 5,600
8 5/8" 21# K-55, 1220' @ \$7.85	\$ 9,600	\$ 9,600
5 1/2" 15.5-17# K-55, 8900' @ \$5.30	\$ -	\$ 47,200
Tubing: 2 3/8" 4.7# J-55, 6700' @ \$2.01	\$ -	\$ 13,500
Packer & Special Equipment	\$ -	\$ 2,000
Contingency	\$ 1,600	\$ 6,400
<b>TOTAL TANGIBLES</b>	<b>\$ 18,000</b>	<b>\$100,000</b>
Tanks, 2- 210 bbl welded w/stair & walkway, & Fiberglass Tank	\$ -	\$ 9,500
Heater-Separator & Flowlines, Valves & Figs.	\$ -	\$ 19,500
Trucking, Fences, Construction Costs, Misc.	\$ -	\$ 6,000
<b>TOTAL LEASE EQUIPMENT</b>	<b>\$ -</b>	<b>\$ 35,000</b>
<b>TOTAL TO DRILL, COMPLETE &amp; EQUIP</b>	<b>\$270,000</b>	<b>\$425,000</b>

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

MORRIS R. ANTWEIL, ETAL (50.00000)

By \_\_\_\_\_ Date \_\_\_\_\_

YATES PETROLEUM CORPORATION (25.00000)

By Eddie M. Bradley Date 7-14-77

YATES DRILLING COMPANY (8.33333)

By \_\_\_\_\_ Date \_\_\_\_\_

MARTIN YATES, III (8.33333)

By \_\_\_\_\_ Date \_\_\_\_\_

JOHN A. YATES (8.33334)

By \_\_\_\_\_ Date \_\_\_\_\_

<p>BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico</p>	Case No. <u>6078</u> Exhibit No. <u>1</u>
	Submitted by <u>Yates</u>
	Hearing Date _____

# AUTHORITY FOR EXPENDITURE

Morrow Test  
T18S-R25E, Section 29: S4  
Eddy County, New Mexico

## YATES PETROLEUM CORPORATION

## MORRIS R. AHTWEIL, ET AL

Location, Right-Of-Way & Surface Damages  
Drilling: Footage  
Daywork

Water, Mud & Additives, Pit Lining  
Surface Casing  
Cementing, Tools & Services, Temp. Surveys  
Indeterminate casing  
Drill Stem Tests  
Electric Logs  
Perforating  
Rentals, Trucking, Equipment & Labor  
Wellhead  
Supervision & Overhead  
Production Casing  
Tubing  
Completion Unit  
Stimulation (May not need Stimulation)  
Heater - Separator & Flowlines, Valves & Ftgs.  
Tanks  
Contingency

Dry Hole Estimate  
Producers Cost Estimate

6,500.00	10,000.00
14.20 Est. (Rig Brought In)	12.75 Est. (Rig In Area)
6 Days @ 3,100.00	1 Day @ 2,900.00
	4 Days @ 2,900.00
37,000.00	30,000.00
400' New @ 13.89	300' New @ 15.50
13,500.00	10,800.00
1,220' New @ 7.85	1,200' New @ 7.00
3 for 3,500.00	2 for 2,000.00
16,000.00	15,000.00
5,000.00	4,000.00
3,700 + 2,000 + 6,000 (\$11,700)	2,000 + 5,000 + 5,000 (\$12,000)
11,700 (New)	2,000 + 6,000 (Used)
3,800.00	2,500 + 3,500
8,900' New @ 5.30	9,000' Used @ 5.00
8,700' New @ 2.01	8,800' Used @ 1.80
4,600.00	7,000.00
15,000.00	8,000.00
19,500.00	20,000.00
9,500.00	None
35,900.00	36,660.00
270,000.00	240,000.00
425,000.00	385,000.00

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 6078 Exhibit No. 2

Submitted by YATES

Hearing Date \_\_\_\_\_

Morris R. Antweil

RECEIVED MAY 4 1977

OIL OPERATOR

P.O. BOX 4010

HOBBS, NEW MEXICO 88240

May 3, 1977

Yates Petroleum Corp.  
207 South 4th  
Artesia, New Mexico 88210

ATTENTION: Jack McCaw

REFERENCE: Drilling Proposal  
No. 1 Rio  
N/2 Section 29-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Enclosed are two copies of our AFE cost estimate for the drilling and completion of the captioned well as a 9000-foot Morrow test at a standard location in the N/2 of Section 29-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the N/2 of Section 29 as the 320-acre gas spacing and proration unit for the proposed well. We request that you join us in drilling the proposed well for a share proportionate to your acreage holding in the N/2 of the section. Please execute and return one copy of the AFE to indicate your agreement to participate.

Antweil et al hold a farmout on 240 acres in the proposed unit, being the N/2 NE/4 and NW/4. Yates has 80 acres, being the S/2 NE/4. We have requested the New Mexico Oil Conservation Commission to docket a hearing on 25 May 1977 to consider compulsory pooling the N/2 of Section 29 in the event that all the working interest cannot be joined in the proposed drilling.

We have a commitment to commence drilling operations before 7 July 1977 and plan to meet that obligation by spudding the proposed well in June. We will appreciate your prompt response in regard to your participation with us in the proposed well. An Operating Agreement will be prepared and forwarded for your approval as soon as the participation is determined.

Yours very truly,

MORRIS R. ANTWEIL

*R M Williams*  
R. M. Williams

-13- 77

*One copy AFE  
re above captioned,  
executed by YPC, returned  
Enclosures*

EX 3  
Case 6078

RECEIVED JUN 3 0 1977

**P. O. Box 2010**

**HOBBS, NEW MEXICO 88240**

**June 29, 1977**

Yates Petroleum Corp.  
207 South 4th Street  
Artesia, New Mexico 88210  
ATTN: Jack McCaw

Amoco Production Co.  
Box 3092  
Houston, Texas 77001  
ATTN: Joe Durkee

REFERENCE: Drilling Proposal  
N/2 Section 20-T18S-R25E  
Eddy County, New Mexico

Gentlemen:

Morris R. Antweil proposes to drill a 9000-foot Morrow test at a standard location in the N/2 of Section 20-T18S-R25E, Eddy County, New Mexico. We propose to dedicate the N/2 of Section 20 as the 320-acre gas spacing and proration unit for the proposed well. Our records indicate that the acreage in the N/2 of Section 20 is held as follows:

Antweil	120 Acres	37.50%
Amoco	<del>84</del> 100 Acres	<del>31.25%</del> 25.
Yates	<del>120</del> 100 Acres	<del>31.25%</del> 37.50

You are requested to join us in drilling the proposed well for a share proportionate to your acreage holding, or farmout your acreage for a 1/16 override during payout with the option to convert the override to a 1/2 working interest after payout. We are requesting the New Mexico Oil Conservation Commission to docket a hearing on 20 July, 1977 to consider compulsory pooling the N/2 of Section 20 in the event that all the working interest cannot be joined in the proposed drilling.

We have a drilling commitment to Atlantic Richfield Company in regard to our acreage and plan to meet that obligation by commencing drilling operations on the proposed well in August.

Ex: 4  
Case 6078



Yates Petroleum Corp.  
Amoco Production Co.  
June 29, 1977

-2

We will appreciate your prompt response in regard to the participation or farmout of your acreage. The necessary AFE and Operation Agreement or Farmout Agreement will be prepared and forwarded for your approval.

Yours very truly,

MORRIS R. ANTWEIL



R. M. Williams

RMW:crm

cc: Atlantic Richfield Co.  
P. O. Box 1610  
Midland, Texas 79701

ATTN: Karyn Zimmerman

# AUTHORITY FOR EXPENDITURE

Morrow Test  
T18S-R25E, Section 29: S4  
Eddy County, New Mexico

## YATES PETROLEUM CORPORATION

## MORRIS R. AHTWEIL, ET AL

Location, Right-Of-Way & Surface Damages  
Drilling: Footage  
Daywork  
  
Water, Mud & Additives, Pit Lining  
Surface Casing  
Cementing, Tools & Services, Temp. Surveys  
Indeterminate casing  
Drill Stem Tests  
Electric Logs  
Perforating  
Rentals, Trucking, Equipment & Labor  
Wellhead  
Supervision & Overhead  
Production Casing  
Tubing  
Completion Unit  
Stimulation (May not need Stimulation)  
Heater - Separator & Flowlines, Valves & Ftgs.  
Tanks  
Contingency  
  
Dry Hole Estimate  
Producers Cost Estimate

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16,000.00	15,000.00
5,000.00	4,000.00
3,700 + 2,000 + 6,000 (\$11,700)	2,000 + 5,000 + 5,000 (\$12,000)
11,700 (New)	2,000 + 6,000 (Used)
3,800.00	2,500 + 3,500
8,900' New @ 5.30	9,000' Used @ 5.00
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19,500.00	20,000.00
9,500.00	None
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270,000.00	240,000.00
425,000.00	385,000.00

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Case No. 6078 Exhibit No. 2  
Submitted by Yates  
Hearing Date \_\_\_\_\_

Dockets Nos. 37-77 and 38-77 are tentatively set for hearing on November 16 and 30, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - NOVEMBER 9, 1977

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 6077: Application of Bass Enterprises Production Company for a drilling permit in the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Big Eddy Unit Well No. 52 and its Rodke Federal Well No. 3 located, respectively, in Units I and F of Section 27, Township 20 South, Range 31 East, Eddy County, New Mexico, said location being within the boundaries of the Potash-Oil Area as defined by Commission Order No. R-111-A and having been objected to by the owners of potash leases in the area.

\*\*\*\*\*

DOCKET: COMMISSION HEARING - THURSDAY - NOVEMBER 10, 1977

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 5994: (DE NOVO)

Application of Tenneco Oil Company for an exception to the provisions of Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Florance Well No. 29-A in Unit F of Section 25, and its North-east Blanco Unit Well No. 64 in Unit P of Section 24, both in Township 30 North, Range 8 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool.

Upon application of Tenneco Oil Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6009: (DE NOVO)

Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6078:

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and older formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Case 6078

JASON W. KELLAHIN  
ROBERT E. FOX  
W. THOMAS KELLAHIN

KELLAHIN and FOX  
ATTORNEYS AT LAW  
808 DON GASPAR AVENUE  
P. O. BOX 1789  
SANTA FE, NEW MEXICO 87501

TELEPHONE 964-4318  
AREA CODE 505

August 19, 1977

Mr. Joe Ramey  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Yates Petroleum Corporation  
Forced Pooling Case

Dear Mr. Ramey:

On behalf of Yates Petroleum Corporation I would appreciate you setting the enclosed application for hearing before the full commission.

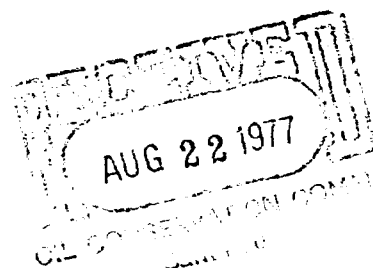
Very truly yours,

*W. T. Kellahin*  
W. Thomas Kellahin

CC: Mr. Scott Wilson  
Mr. William F. Carr,  
Mr. Morris R. Antweil

WTK:kfm

Enclosure



BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF YATES PETROLEUM CORPORATION  
FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Yates Petroleum Corporation, by its undersigned attorneys and, as provided by Section 65-3-14, New Mexico Statutes Annotated, 1953 Compilation, as amended, hereby makes application for an order pooling all of the mineral interests in and under the S/2 of Section 29, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 50% of the working interest in and under the 3/2 of said Section 29, and applicant has the right to drill thereon.

2. Applicant proposes to dedicate the above-referred to pooled unit to a well to be drilled at an orthodox location within the boundary of said pooled unit.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farm-out from the following operator:

Morris R. Antweil, 50% working interest

4. Said pooling of interests and well completion will avoid the drilling of unnecessary wells, will protect correlative rights and prevent waste.

5. That Morris R. Antweil has filed an application in NMOCC Case No. 6009 requesting that he be designated operator of the same acreage.

6. That an examiner hearing will not resolve the dispute in this matter.

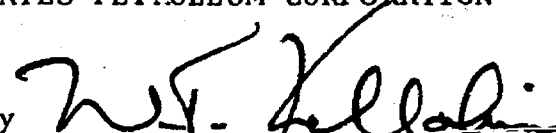
7. In order to permit applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, and applicant should be designated as the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Full Commission and that after notice and hearing as required by law the Commission enter its order pooling the lands, together with the provision for applicant to be designated operator, to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,

YATES PETROLEUM CORPORATION

By

  
W. Thomas Kellahin  
Kellahin & Fox  
P. O. Box 1769  
Santa Fe, New Mexico 87501

Attorneys for Applicant

DRAFT

dr/

*Handwritten mark resembling a stylized 'K' or 'N'.*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 6078

Order No. R- 5595

*Handwritten signature/initials on the left margin.*  
APPLICATION OF YATES PETROLEUM  
CORPORATION FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1977  
at Santa Fe, New Mexico, before the Oil Conservation Commission  
of New Mexico, hereinafter referred to as the "Commission."

NOW, on this \_\_\_\_\_ day of December, 19 77, the Commission,  
a quorum being present, having considered the testimony presented  
and the exhibits received at said hearing, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
Law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks  
an order pooling all mineral interests in the Wolfcamp and older  
formations underlying the S/2 of Section 29, Township 18 South,  
Range 25 East, NMPM,  
Eddy County, New Mexico.

-2-

Case No. 6078  
Order No. R-

(3) That interest owner Morris R. Antweil previously sought an order pooling the same acreage at an examiner hearing held on August 17, 1977.

(4) That on October 18, 1977, the Commission entered its Order No. R-5546 in Case No. 6009 pooling the above-described acreage and designating Morris R. Antweil the operator of the subject well and unit.

(5) That, subsequent to the August 17, 1977, examiner hearing, the applicant applied for both an order pooling the subject unit and a De Novo hearing in Case No. 6009.

(6) That these cases came on for hearing before the Commission on November 10, 1977.

(7) That the Commission has affirmed its order in Case No. 6009, and therefore this application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Yates Petroleum Corporation for an order pooling all mineral interests in the Wolfcamp and older formations underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, is hereby denied.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.