

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 13,391

APPLICATION OF SAN JUAN RESOURCES OF)
COLORADO, INC., TO AMEND DIVISION ORDER)
NUMBER R-11,926 TO INCLUDE SUBSEQUENT)
OPERATIONS AND AN OPTIONAL INFILL GAS)
WELL PROVISION, COMPULSORY POOLING, SAN)
JUAN COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 6th, 2005

Santa Fe, New Mexico

2005 JAN 20 AM 8 11

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 6th, 2005, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

January 6th, 2005
Examiner Hearing
CASE NO. 13,391

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Additional submission by Applicant, not offered or admitted:

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: W. THOMAS KELLAHIN

FOR BOB L. MOSLEY, GEORGE MOSLEY, AND JANET MOSLEY,
HUSBAND AND WIFE, LEONARD MOSLEY AND LEONA MOSLEY,
HUSBAND AND WIFE, MARY G. MOSLEY, and BETTY NELMS:

MILLER, STRATVERT P.A.
150 Washington
Suite 300
Santa Fe, New Mexico 87501
By: J. SCOTT HALL

* * *

ALSO PRESENT:

BOB MOSLEY
Aztec, New Mexico

* * *

1 WHEREUPON, the following proceedings were had at
2 10:00 a.m.:

3 EXAMINER CATANACH: All right, at this time I
4 will call Case 13,391, which is the Application of San Juan
5 Resources of Colorado, Inc., to amend Division Order Number
6 R-11,926 to include subsequent operations and an optional
7 infill gas well provision, compulsory pooling, San Juan
8 County, New Mexico.

9 Call for appearances in this case.

10 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
11 the Santa Fe law firm of Kellahin and Kellahin, appearing
12 on behalf of the Applicant this morning, and I have one
13 witness to be sworn.

14 EXAMINER CATANACH: Additional appearances?

15 MR. HALL: Mr. Examiner, Scott Hall, Miller
16 Stratvert, PA, of Santa Fe, appearing on behalf of Bob L.
17 Mosley, George Mosley, and Janet Mosley, husband and wife,
18 Leonard Mosley and Leona Mosley, husband and wife, Mary G.
19 Mosley, and Betty Nelms.

20 EXAMINER CATANACH: Mr. Hall, is this reflected
21 on your prehearing statement, the parties you're appearing
22 on behalf of?

23 MR. HALL: We have an entry of appearance.

24 EXAMINER CATANACH: Does it have all those
25 parties listed?

1 MR. HALL: It does not reflect George Mosley, so
2 that's an additional appearance.

3 EXAMINER CATANACH: Okay, can you submit an
4 additional entry of appearance --

5 MR. HALL: We'll do so.

6 EXAMINER CATANACH: -- that reflects all of the
7 parties? Thank you.

8 MR. BOB MOSLEY: Mr. Examiner, would I be able to
9 tape this one, this hearing, for us?

10 COURT REPORTER: It's fine with me.

11 EXAMINER CATANACH: Do you have a problem with
12 that?

13 MS. MacQUESTEN: I don't have a problem.

14 EXAMINER CATANACH: Sure.

15 MR. MOSLEY: Thank you.

16 EXAMINER CATANACH: Are you going to have a
17 witness, Mr. Hall?

18 MR. HALL: I don't expect to.

19 EXAMINER CATANACH: Okay. Will the witness
20 please stand to be sworn in?

21 (Thereupon, the witness was sworn.)

22 MR. KELLAHIN: Mr. Examiner, Mr. McHugh, who's
23 the president of San Juan Resources, he and I are proposing
24 an amendment to a current compulsory pooling order. The
25 order was entered by Mr. Brooks back in February of last

1 year. It's Order Number R-11,926, and that order was
2 entered for a coal gas well, the Tecumseh Number 1, which
3 was the parent well on the spacing unit. The --
4 substantially the same parties are involved in the infill
5 well.

6 Of the Mosley group, there were two of the Mosley
7 group that went nonconsent on the parent well. Mr. Bob
8 Mosley and Betty Mosley went nonconsent.

9 In -- in preparing this case and submitting the
10 documents, Mr. McHugh has received signed AFEs from certain
11 of the Mosleys desiring to participate in the infill well.
12 All the Mosleys except for Leonard Mosley have signed the
13 current AFE for the infill well.

14 In our proposed subsequent operation procedures
15 that we'll submit to you in the exhibit book, Mr. Catanach,
16 we're seeking to accomplish several things, one of which is
17 that whether a party went nonconsent on the parent well,
18 they will be afforded the opportunity to participate in the
19 infill well.

20 Among the procedures we've proposed for your
21 consideration is that production from the parent well will
22 be kept separate from the infill well, and that production
23 from the parent well is not to be used to pay for the cost
24 of the infill well, and vice-versa.

25 In addition, I need to tell you that I have made

1 a mistake in accounting for the Mosley interest. At the
2 original pooling case I had a spreadsheet that we
3 introduced to Mr. Brooks that had what then was believed to
4 be the correct interest for each of the Mosleys.
5 Subsequent to that hearing Mr. McHugh did additional title
6 work, and we examined it and corrected the interest. And
7 when those consenting parties on the parent well paid, they
8 paid pursuant to the correct interest, and they've been
9 continuing to show the correct interest according to Mr.
10 McHugh's records.

11 I didn't realize my mistake until earlier this
12 week, so when Mr. McHugh came in yesterday he helped me
13 reconcile these numbers. And so the numbers that were used
14 by Mr. Mosley and everyone except Mr. Leonard Mosley to pay
15 for the infill well, they paid according to the correct
16 numbers from Mr. McHugh.

17 So we have signed AFEs from most of the Mosleys,
18 and there's a letter from Mr. Bob Mosley proposing that
19 he'll pay their share of the costs of the well so he can be
20 a consenting party.

21 I understand the Mosleys do not desire to sign
22 the joint operating agreement and therefore will be
23 electing consenting parties under the pooling agreement. I
24 think those are the differences that we're going to explain
25 to you that are somehow different from the typical pooling

1 application that you'll see.

2 And with that introduction, Mr. Catanach, we're
3 ready to proceed.

4 EXAMINER CATANACH: Okay.

5 JEROME P. MCHUGH, JR.,

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

8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

10 Q. Mr. McHugh, for the record, sir, would you please
11 state your name and occupation?

12 A. My name is Jerry McHugh, Jr. I'm president of
13 San Juan Resources, Inc., d/b/a New Mexico San Juan
14 Resources of Colorado, Inc.

15 Q. On prior occasions did you testify before the Oil
16 Conservation Division?

17 A. Yes, sir, I have.

18 Q. You've testified in the prior pooling case --

19 A. Yes, sir, I did.

20 Q. -- in this spacing unit?

21 A. (Nods)

22 Q. And pursuant to your employment as the president
23 of this company, you have proposed this infill well?

24 A. Yes, sir, that's correct.

25 Q. And you've done the appropriate title work, to

1 the best of your knowledge, to account for the parties that
2 have not yet committed under a joint operating agreement?

3 A. That's correct.

4 Q. And you continue to operate the Tecumseh 1 well,
5 the parent well in the spacing unit?

6 A. That's correct. And a correction: It is not a
7 coal gas well, but it's a Mesaverde-Dakota well.

8 Q. Yeah.

9 A. You had mentioned in your original --

10 Q. I'm sorry.

11 A. -- introduction.

12 MR. KELLAHIN: We tender Mr. McHugh as an expert
13 witness.

14 EXAMINER CATANACH: Any objection?

15 MR. HALL: No objection.

16 EXAMINER CATANACH: He is so qualified.

17 Q. (By Mr. Kellahin) Mr. McHugh, if you'll open the
18 exhibit book and turn behind Exhibit Tab Number 1, let's
19 identify for the Examiner what we've represented as Exhibit
20 Number 1.

21 A. This is a locator map with the subject section,
22 Number 18, of Township 30 North, 11 West, a south-half
23 dedication unit to the Tecumseh Unit spacing. The Tecumseh
24 Number 1E well is signified in the southwest quarter of
25 said Section 18.

1 Q. Exhibit 1 does show the approximate location of
2 the infill well?

3 A. Yes, sir.

4 Q. Let's turn past the locator map and look at
5 Exhibit 2. There are several pages associated with Exhibit
6 2. Would you identify the first page for us?

7 A. Exhibit 2, the first page shows our C-102, which
8 at the time of my affidavit we had the correct location
9 staked, but we did not have a plat. So this is the actual
10 plat of the location for the Tecumseh Number 1E well.

11 Page 2 is a cut-and-fill of the -- of the
12 location.

13 And page 3 is a topographic map showing access
14 into the location and where the location sits in the
15 southwest of Section 18.

16 Q. If you'll turn to Exhibit 3, Mr. McHugh, as part
17 of your responsibilities did you have an engineering
18 company help you prepare an AFE for the infill well?

19 A. Yes, sir, we did.

20 Q. Have you customarily used Walsh Engineering and
21 Production Corporation to assist you in preparing these
22 AFEs?

23 A. Yes, sir, Paul Thompson, a petroleum engineer
24 with Walsh Engineering, does our field work, and so he's
25 very familiar with the costs and equipment that are

1 required to drill --

2 Q. Did you --

3 A. -- this --

4 Q. -- use this company on the parent well?

5 A. Yes, sir, Walsh Engineering did all the field
6 work and the engineering work.

7 Q. Are you satisfied to the best of your that these
8 -- this AFE is accurate and reasonable?

9 A. Yes, sir.

10 Q. The AFE at the bottom shows it was prepared by
11 Mr. Thompson in September, and this below that says the
12 working interest, and it shows the percentage, and then it
13 shows Leonard Mosley and a sum. Have you received a signed
14 AFE from Mr. Mosley at this point?

15 A. I have not.

16 Q. Have you re-examined the AFE to see if there --
17 you anticipate there will be any changes that occur in this
18 estimate?

19 A. Yes, sir, we did prepare a revised AFE --

20 Q. Let's turn to Exhibit 4, and --

21 A. -- and that looks like --

22 Q. -- have you look at that.

23 A. -- that's Exhibit 4.

24 Q. Yes, sir.

25 A. One of the primary changes is the day rate for a

1 drilling rig. Also our dirt work and our surface damages
2 were somewhat higher, so the revised AFE is \$676,284.
3 Those are the primary increases, the drilling-rig day rate
4 and then the dirt work and surface damages.

5 Q. Do you propose that despite this anticipated
6 increase, that it's your intention to allow any of the
7 Mosleys that desire to participate under the pooling order
8 to pay based upon the original September AFE?

9 A. The original September AFE is fine --

10 Q. Yeah.

11 A. -- for them to participate on.

12 Q. Okay. Let's turn to Exhibit 5, and let me
13 introduce you to giving us an explanation about what was
14 originally calculated to be the Mosleys' interest at the
15 time of the hearing before Examiner Bru- -- Brooks, and
16 then we'll go into what you've done to account for the
17 correct interest in the parent well, as well as to account
18 for the correct interest in the infill well.

19 Let's start with the plat behind Exhibit 5.
20 Describe this for us.

21 A. This plat indicates all the 10 tracts involved
22 from our title report in the south half of Section 18. I
23 have them numbered by quarter-quarter section or, if need
24 be, I've divvied them up by -- as shown on the plat.

25 Q. Let's focus on the Mosleys' interests. If you'll

1 turn to the tabulation behind the locator map, are these
2 the percentage interests allocated to each of the five
3 Mosleys, based upon your understanding of their interest in
4 Tracts 2 and 3 at that time?

5 A. That's right. If you look back to the locator
6 map, Tract Number 2 goes on either side of the railroad
7 grade, and Tract 3 is just north of the railroad grade.
8 And I think what happened is, as we were discussing this
9 yesterday, is that I didn't have the correct total acreage
10 from both of those tracts to compute the proper gross
11 working interest for each Mosley.

12 Q. So subsequent to the last hearing, did you do
13 additional work and make the appropriate correction so that
14 you're satisfied that each of the working interest owners
15 in the spacing unit for both the original and the parent
16 well are now accurately reflected?

17 A. That's correct, and even before we drilled the
18 original parent well, we had corrected that interest, and
19 in which, in fact, it's higher than shown here from our
20 original hearing. The interest is 1.02587 percent for each
21 Mosley.

22 Q. Let's turn to Exhibit 6. The first page of
23 Exhibit 6 represents what, Mr. McHugh?

24 A. These are the interest owners in the well that we
25 cannot find, and --

1 Q. This is for the infill well?

2 A. That's -- that's correct. Or who have -- don't
3 understand the oil and gas business or have indicated that
4 they're not interested in drilling.

5 Q. So you've made your best possible effort to
6 contact all these people?

7 A. Yes, sir, we have.

8 Q. And of the ones contacted, you've had discussions
9 about how they might participate or lease to you?

10 A. Yes, sir, I've given them, you know, a couple
11 different options of -- of joining the well or doing
12 nothing, going nonconsent as they did in the parent well,
13 or -- or attempt to lease them, or to procure their
14 interest.

15 Q. It will be your desire, then, to have the
16 Examiner issue a pooling order that includes all these
17 entities and individuals in the infill well?

18 A. That's right.

19 Q. Let's turn to page 2 of Exhibit 6. This is a
20 tabulation of what, Mr. McHugh?

21 A. This is the Mosley mineral interests that are
22 unleased in the south half of Section 18.

23 Q. Again, are you satisfied that the percentages
24 reflected on this exhibit are the correct percentages?

25 A. Yes, sir, I am.

1 Q. And they're the ones that were used for the
2 parent well?

3 A. Yes, sir, that's correct.

4 Q. Let's turn to Exhibit 7 now. What does this
5 represent?

6 A. This is a breakdown of all the interests in the
7 Tecumseh Number 1E. These are all the gross working
8 interests in the well.

9 Q. This would represent, then, your verification
10 that all these interests total up to 100 percent?

11 A. That's correct.

12 Q. And for each of the Mosleys, then again, you have
13 identified the correct working interest associated with
14 every individual interest?

15 A. That's correct.

16 Q. Let's turn over and have you identify Exhibit
17 Number 8, Mr. McHugh. What are we looking at here?

18 A. Exhibit Number 8 is our current force- -- or,
19 excuse me, Exhibit Number 8 is our Tecumseh Number 1
20 current ownership, and this is a gross working interest in
21 the well. It reflects the consenting owners on the bottom,
22 which total up to 60.8 percent, and then it reflects the
23 force-pooled owners on the top part of it, which indicate
24 39.1 percent.

25 Q. In coming up with this calculation, have you used

1 the -- the 1/8 -- 1/8 royalty for the uncommitted mineral
2 interest owners, pursuant to the order?

3 A. I -- I just used them for Bob Mosley and Betty
4 Nelms. As force-pooled owners they are receiving a royalty
5 interest of 1/8 of the 1.02587 percent of the well.

6 Q. Show me how you reconcile Exhibit 8 with the
7 Mosleys' interests as reflected on Exhibit 7.

8 A. Well, if you look at all the Mosleys' interests
9 -- and this is decimal, by the way, it's .0089764; each
10 Mosley has that as a decimal interest. That is 7/8 of the
11 gross working interest that they have in the well, that
12 being -- I'm going back to decimals, by the way --
13 .0102587.

14 Q. So when you add the royalty and the working
15 interest, you can come back to get the same number you show
16 in Exhibit 7?

17 A. That's correct.

18 Q. Let's turn now to Exhibit 9. What does the
19 letter of October 7th of this year represent, Mr. McHugh?

20 A. This was our well-proposal letter on the Tecumseh
21 Number 1E well. We sent it to all of the parties which
22 where in the parent well.

23 Q. The fact that this letter simply says Leonard
24 Mosley and his wife is simply a sample?

25 A. Correct, this is a sample. Everyone else got --

1 everyone else got the same letter in the well.

2 Q. In addition, you sent them the AFE from September
3 of this year?

4 A. Yes, sir, that's correct.

5 Q. And attached to Exhibit --

6 A. September of last year.

7 Q. I'm sorry. Attached to this letter, what do you
8 have behind the first page of this exhibit?

9 A. Well, those are the green cards, the receipts to
10 each company, and then the returned green card from the
11 particular companies or interest owners. And we have -- it
12 looks like seven or eight pages of them that -- where they
13 signed and received our AFEs and our well-proposal letters.

14 Q. As to the identity of these individuals and their
15 addresses, did you make your best possible effort to find
16 their most current addresses?

17 A. Yes, sir, we did.

18 Q. Let's turn past Exhibit 9 and look at Exhibit 10.
19 What is Exhibit 10, Mr. McHugh?

20 A. Exhibit 10 is my written summary of evidence of
21 contracting [sic] the working and the mineral interest
22 owners as we propose the Tecumseh Number 1E well. We have
23 received signed AFEs back from the following interest
24 owners: ConocoPhillips; Maralex Resources; Burlington
25 Resources Oil and Gas, Inc.; Hartman Oil and Gas, LLC; San

1 Juan Basin Properties; Bob Mosley; Betty Nelms; George
2 Mosley and Mary Mosley.

3 Q. From the Mosley group, then, the only Mosley that
4 has not signed the AFE is Leonard Mosley?

5 A. That's correct.

6 Now, we currently have a joint operating
7 agreement on the south half of Section 18, which governs
8 the operations on the -- for the unit, actually.

9 Not only does it govern the Tecumseh Number 1E
10 but any other subsequent operations. The San Juan Basin
11 Properties, ConocoPhillips, Maralex, Hartman, and
12 Burlington joined the operating agreement dated March 17th,
13 2003. When they signed the Tecumseh Number 1E AFE, they
14 were agreeing to go under the terms of the joint operating
15 agreement.

16 Q. And then below that you've summarized your
17 contacts with other parties. And then finally on page 2,
18 then, at the bottom, you've summarized your contacts with
19 the Mosley group?

20 A. That's correct.

21 Q. Let's turn to Exhibit 11. When we go through
22 Exhibit 11, what are we seeing here, Mr. McHugh?

23 A. These are copies of all the signed AFEs from the
24 industry partners and four of the five Mosleys. Burlington
25 Resources has a signed copy, Hartman Oil and Gas, Maralex

1 Resources.

2 The Leonard Mosley one is blank because he had
3 not signed it.

4 George Mosley signed, Mary Mosley, Bob L.
5 Mosley --

6 Q. Now, look at Mr. Mosley's signed AFE at this
7 point. According to your calculation, then, Mr. Mosley, to
8 participate in the well would prepay the \$6600 and change?

9 A. Yes, sir, that's correct.

10 Q. And this interest above that is the correct
11 interest that you're using for the purposes of his
12 interest?

13 A. Yes, sir, that's correct, 1.2 -- excuse me.
14 1.02587 percent.

15 Q. Turn to Exhibit 12 with me, Mr. McHugh. Is it
16 your understanding from Mr. Mosley, in addition to this
17 letter, that he desires not to sign the joint operating
18 agreement, but alternatively would like to be a consenting
19 party under a compulsory pooling order?

20 A. That's my understanding, is how he wants to do
21 it.

22 Q. And that's how you and he have agreed to do this?

23 A. Yes, I said we would go to the hearing, they
24 would be nonconsenting force-pooled owners who elected to
25 join the well after our notification --

1 Q. Okay.

2 A. -- if we were granted -- if we were granted the
3 hearing order.

4 Q. Let's turn to Exhibit 13, Mr. McHugh. What's
5 contained behind Exhibit Tab 13?

6 A. This is the original order from the parent well,
7 the Tecumseh Number 1.

8 Q. If you'll turn over to page 3 of the order, let's
9 look at numbered paragraph 13. It indicates some overhead
10 rates for producing and drilling?

11 A. Yes, sir.

12 Q. Subject to the COPAS adjustments, what was the
13 monthly rate that you used for the parent well?

14 A. We used \$4905 per month while drilling.

15 Q. What did you actually use for the producing well
16 rate, on a monthly basis?

17 A. We currently are doing that at \$550 per month for
18 a producing rate, so that's somewhat lower than originally
19 estimated.

20 And I might add too on that \$890 per month, I was
21 also throwing in additional water disposal and additional
22 work that had to be done on the well, which is usually
23 added to LOE anyways.

24 Q. So you've taken those items out and readjusted --

25 A. This is just --

1 Q. -- the monthly cost?

2 A. This is just an overhead rate.

3 Q. Is the adjusted monthly cost the one you propose
4 to apply to the infill well?

5 A. Yes, sir.

6 Q. The five hundred -- What was it? Five hundred
7 and what?

8 A. \$550 per month.

9 Q. Would you desire the Division to allow you to
10 escalate those costs pursuant to the COPAS procedures
11 outlined in --

12 A. Yes, sir.

13 Q. -- the operating agreements?

14 A. Yes, sir.

15 Q. As a small operator in the San Juan Basin, Mr.
16 McHugh, what is your ability to utilize rigs for the
17 drilling of this well?

18 A. It's been pretty difficult to find rigs deep
19 enough to drill these wells. We have several others
20 proposed in the San Juan in this area. I'm number one on
21 one company's list, and I'm number two on another company's
22 list.

23 The one where I'm number one on, I don't think
24 we'll even have an opportunity this year to drill the well,
25 or to get a rig from them.

1 Q. What's your best estimate of when you might be
2 able to commence the drilling of the infill well?

3 A. Well, we're hoping March- -- March-to-July
4 window, time-frame, and we have other -- other wells out
5 there to drill, which we can drill first. And so I was
6 hoping to get to this as the third or the fourth well out
7 there in our program.

8 Q. In past cases, have you had to utilize the
9 opportunity the Division affords you to extend your pooling
10 order?

11 A. Yes, sir, I've had to.

12 Q. You were asking if that possibility exists, that
13 if you have to extend the commencement date, that you could
14 do so under any modifications of this order?

15 A. Within reason, yes, sir.

16 Q. Let's turn over to Exhibit 14. Does Exhibit 14
17 represent your proposed subsequent operations and
18 procedures for drilling the infill well that you're asking
19 the Examiner to adopt for purposes of this case?

20 A. Yes, sir, it is.

21 Q. When we look at paragraph (b), what are you
22 intending to provide in paragraph (b)?

23 A. Can you --

24 Q. Yeah.

25 A. Can you re-word --

1 Q. Yeah.

2 A. -- the question?

3 Q. This deals with which interest owner can propose
4 an operation, does it not?

5 A. Right, and what I'm proposing to do is provide
6 the drilling and operations of an infill well in the
7 opposite 160 from the parent well.

8 Q. In addition, if there was a working interest
9 owner who voluntarily elected to participate either under
10 the pooling order or the operating agreement for the parent
11 well, then they could propose subsequent operations?

12 A. That's correct, they could do the same
13 themselves.

14 Q. And when we go down to (c), then, any interest
15 owner is going to make an election as to the infill well?

16 A. That's correct.

17 Q. Is that your understanding of what that was
18 intended to do?

19 A. Yes, sir, that's correct.

20 Q. Down in (e), then, how will you handle the costs
21 associated with the infill well and the parent well?

22 A. We treat them as separate wells, and no costs
23 will be commingled, nor will production or anything else be
24 mixed between the wells. They're treated as separate
25 projects.

1 Q. Are the balance of the subsequent operation
2 procedures set forth in this exhibit consistent with how
3 you apply these provisions pursuant to Article VI of your
4 joint operating agreement?

5 A. Yes, sir, they are.

6 Q. You've reviewed these, and they are consistent
7 with how you propose to operate under the joint operating
8 agreement?

9 A. Yes, sir, that's correct.

10 Q. And you intend to use these for the parties that
11 are subject to the compulsory pooling order?

12 A. That's correct, yes, sir.

13 Q. Mr. McHugh, have you reviewed the two exhibits
14 behind Tab 15? They represent the affidavit of notice, 15,
15 and then the newspaper publication, 16.

16 A. Ye- --

17 Q. Are you satisfied to the best of your knowledge
18 that those are accurate and correct?

19 A. Yes, they ar- -- I have reviewed them, and they
20 are accurate and correct.

21 MR. KELLAHIN: Mr. Examiner, that concludes my
22 examination of Mr. McHugh.

23 And we would move the introduction of the
24 Applicant's Exhibits 1 through 16.

25 MR. HALL: No objection.

1 EXAMINER CATANACH: Exhibits 1 through 16 will be
2 -- I'm sorry --

3 THE WITNESS: 15.

4 EXAMINER CATANACH: -- Number 16 --

5 MR. KELLAHIN: 16.

6 THE WITNESS: 15.

7 EXAMINER CATANACH: 15.

8 MR. KELLAHIN: 16.

9 EXAMINER CATANACH: 16. 1 through 16 will be
10 admitted.

11 Mr. Hall?

12 CROSS-EXAMINATION

13 BY MR. HALL:

14 Q. Mr. McHugh, thank you for your explanation about
15 the change in the Division of interests for the well. I
16 believe that'll allow me to shortcut a lot of the questions
17 I had. I'd like to explore that with you briefly, if I
18 might.

19 What I'd like to do is provide you with -- start
20 out with what I've marked as Exhibit 2 -- that's a copy of
21 your company's Application in this case -- and if you would
22 turn to Exhibit D of your Application --

23 A. Of -- D of -- the one you just handed me?

24 Q. Yes, sir, Exhibit D. It's attached to your
25 Application. That's the original compulsory pooling order.

1 And first of all, if you'll look at paragraph (2) on the
2 first page of that order, it notes a 320-acre unit
3 dedicated to the well. Do you see that? Are you with me?

4 A. Okay, here, I'm on D.

5 Q. Is that a copy of Order Number R-11,926?

6 A. Yes, sir.

7 Q. Okay, if you'd look at paragraph (2) there, it
8 reflects a 320-acre unit for the well. Do you see that
9 there?

10 A. Yes, sir.

11 Q. And now if we turn to page 2, paragraph (9), it
12 reflects ownership for Bob L. Mosley as 1.0047 percent --

13 A. That's --

14 Q. Do you see that there?

15 A. Yes, sir.

16 Q. And that was for a 320-acre unit at the --

17 A. That's right.

18 Q. Now, if we turn to the Exhibit F attached to your
19 Application, it's your AFE, the 2004 AFE, and it reflects
20 an interest for one of the Mosleys, 1.02587 percent. Do
21 you see that there?

22 A. Yes, sir, I see it.

23 Q. And that is the correct interest now; is that
24 right?

25 A. That's correct.

1 Q. If you turn back just one more page to Exhibit E,
2 it's your C-102 acreage plat. It shows for the acreage on
3 that plat 326.50 acres?

4 A. Yes, sir.

5 Q. Is the difference in the acreage between the 320
6 and the 326.5 -- does that explain the difference in the --

7 A. That --

8 Q. -- Mosleys' --

9 A. That might have something to do with it, yes.

10 But I -- I think -- I think also I had trouble
11 tabulating the acreage before I was reviewing the title
12 report to get the exact gross number of acres in Tract 2
13 and 3, as I had indicated on the south-half --

14 Q. And you're speak- --

15 A. -- map locator.

16 Q. You're speaking of the title report you had Steve
17 Jordan prepare for you?

18 A. That's correct.

19 Q. And you commissioned that after the original
20 hearing on the Number 1 well?

21 A. No, we had done it about the same time. I forget
22 the chronology of that, Mr. Hall.

23 Q. Just looking at it, it's marked 4-2003. Sound
24 about right?

25 A. For Jordan's title report? Yeah, that might have

1 been -- yes, that might have been the discrepancy.

2 Q. All right. So that was after the hearing --

3 A. Yes --

4 Q. -- on the Number --

5 A. -- the hearing was in February of '03.

6 Q. Now, if you'll turn to Exhibit A attached to your
7 Application, it shows the working interest owners' list,
8 and then the second page of that is the mineral interest
9 owners' list, and it continued to reflect the incorrect
10 mineral interest for Mr. Mosley --

11 A. That's right --

12 Q. -- at that point?

13 A. -- yes. I didn't correct that when I -- Mr.
14 Kellahin asked for these documents. I went back to the old
15 hearing material, copied it, e-mailed it off without
16 correcting that to what it currently was.

17 Q. Now, let me discuss one additional matter about
18 that ownership interest with you. If you'll turn to what
19 I've marked as Exhibit 3, could you identify that, please,
20 sir?

21 Mr. McHugh, is Exhibit 3 a copy of Lori Walters'
22 transmittal letter for a payout summary statement for the
23 Tecumseh Well Number 1, dated November 10, 2004, addressed
24 to Mr. Bob Mosley?

25 A. Yes, sir, that's correct.

1 Q. Have you seen this before?

2 A. Yes, sir. I might add that Lori Walters is under
3 my employ at San Juan Resources of Colorado.

4 Q. Okay. And if you would look at the second page
5 of that exhibit, it shows gross working interest
6 attributable to Mr. Mosley's interest of .89764 percent.
7 Do you see that entry there?

8 A. Yes, sir.

9 Q. And that is 7/8, correct?

10 A. Yes, sir.

11 Q. Okay.

12 A. 7/8 of his gross working interest --

13 Q. Correct.

14 A. -- which is 1.02587 percent.

15 Q. Right, I want to make sure we're in agreement on
16 that.

17 Then if you look at the very last page of that
18 exhibit, down at the very bottom, the last column entry,
19 there is a line item that says prior working interest
20 percentage, 0.0102587. Do you see that there? See that
21 entry?

22 A. Prior? I see the Mosley ownership of .0102587.

23 Q. It shows a prior --

24 MR. KELLAHIN: It's this --

25 THE WITNESS: Oh, okay. Yes, sir, I've got you.

1 Q. (By Mr. Hall) Okay. We have a prior working
2 interest percentage, and then a revised working interest
3 percentage of 0.0089765 --

4 A. Right, correct.

5 Q. -- which is the 7/8 gross working interest
6 number, correct?

7 A. Yes, sir.

8 Q. Okay. Can you explain the basis for the revision
9 here?

10 A. When we originally set up the decks on this, we
11 did -- did not -- we did 100 percent of Mr. Mosley's gross
12 working interest in the well, rather than giving him 1/8
13 royalty interest.

14 So after some months we straightened it up, and I
15 think we're on correct ground now -- right now, per the
16 order. But we originally had it wrong.

17 Q. So operating costs were being assessed against
18 8/8, was that what was --

19 A. Correct, that's right.

20 Q. Okay. And was he properly credited for those
21 prior deducts?

22 A. I believe he was, and Mrs. Walters' spreadsheet
23 should reflect the adjustments and everything that had been
24 done. She spent a considerable amount of time going
25 through the Mosley interests in this -- in this situation.

1 Q. Okay, thank you, Mr. McHugh. Let's turn back to
2 our Exhibit 2, which is your Application again. I want to
3 make sure we understand the proposed operation for your
4 amended order here. And if you would, look at Exhibit B
5 [sic] to my Exhibit 2, it's titled "Compulsory Pooling
6 Infill Well Provisions". Are we together there?

7 A. Yes, sir.

8 Q. Okay. On page 1, subparagraph (b) there --

9 EXAMINER CATANACH: Hang on, Mr. Hall. Got it,
10 sorry.

11 Q. (By Mr. Hall) On that sub-exhibit B [sic], at
12 subparagraph (b) on that first page there, as I understand
13 the way that particular provision operates, only those
14 parties who participated in the costs of the Number 1 well
15 may propose a subsequent operation, an infill well or a
16 workover on the Number 1 well?

17 A. Yes, sir.

18 Q. Okay. There's no other limitation under that --

19 A. That's correct, that's correct.

20 Q. Okay. And when a well is proposed by one of
21 those qualifying parties, it is to be proposed to all
22 working interest owners and to all unleased mineral
23 interest owners, correct?

24 A. That's correct.

25 Q. Okay. And then under subparagraph (c), those

1 parties receiving such notice, which would be everyone,
2 they would have 30 days to elect to participate or not?

3 A. Yes, sir, that's correct.

4 Q. And if they are a pooled mineral interest owner,
5 their election and their tender of their share of drilling
6 costs would allow them to avoid the assessment of a risk
7 penalty against their interest; is that right?

8 A. That's correct.

9 Q. Okay. So we're clear on this, a party who went
10 nonconsent on the drilling of the original well will not be
11 denied the opportunity to participate in the infill well;
12 is that right?

13 A. That is right --

14 Q. Okay.

15 A. -- that's correct.

16 Q. Let me ask you, Mr. McHugh, how is San Juan
17 handling the marketing of gas for the pooled interest
18 owners now from the Number 1 well?

19 A. We're -- we're sell- -- we're selling it just in
20 the open market under the -- under the order.

21 Q. You're selling it on their behalf?

22 A. The pooled?

23 Q. Yes, sir.

24 A. Not on their behalf. I mean, we -- San Juan
25 Resources took o- -- took over that interest. We carried

1 that interest. We're not selling it on their behalf. The
2 pooled interest owners or the noncons- -- I mean --

3 Q. Either one.

4 A. The parties who did not join the well, we are
5 selling the gas as we would our own gas.

6 Q. All right. And would that include the Mosley
7 interests?

8 A. It would include Bob Mosley and Betty Mosley.

9 Q. All right.

10 A. George, Leonard and Mary Mosley, we are selling
11 their interests also, but they are being compensated for
12 that. In other words, we're paying them their interest.

13 Q. And before --

14 A. The force-pooled interest is -- like Mr. Mosley
15 and Betty Mo- -- Betty Nelms, we have 200-percent risk
16 penalty on that, so we're selling that as if it were our
17 interest.

18 Q. And so you're recouping your costs and the risk
19 penalty out of --

20 A. Yes --

21 Q. -- their share?

22 A. -- that's correct.

23 Q. And after payout, what occurs?

24 A. After payout of the well or --

25 Q. After you've recouped the costs of drilling and

1 the risk penalty?

2 A. That interest would revert back to the Mosleys --

3 Q. Okay, and will --

4 A. -- and the other pooled interest owners.

5 Q. Will you continue to market gas for their
6 interest?

7 A. If they want to. I mean, if they want me to, I
8 can --

9 Q. O- --

10 A. -- because that's where we have a little
11 difficulty right now, because there's no joint operating
12 agreement.

13 Q. All right.

14 A. And I haven't brought that up as far as, well,
15 I'm going to -- if you don't sign a JOA, you're -- I'm not
16 going to market your gas. I haven't said that.

17 I've told George and Leonard and Mary that, you
18 know, you're in with us and we'll sell the gas as we can on
19 our account, as if they had joined the well, even though
20 they hadn't signed an agreement.

21 I -- I don't think it's -- I don't think it's
22 right for me to -- to leave their gas in the ground and let
23 them market it themselves, because I don't think they have
24 the expertise to do that, or they're not set up. You know,
25 they have one well in San Juan County, to sell 1.02 percent

1 from. I mean, that's pretty difficult to do.

2 Q. And make sure we understand here. So for Mr. Bob
3 Mosley, who went nonconsent in the first well, you're
4 marketing 8/8 of his interest, correct?

5 A. That's correct.

6 Q. And recouping out of 7/8?

7 A. That's correct.

8 Q. Okay. And now are proceeds being credited back
9 to Mr. Mosley's interests on the same basis that San Juan
10 Resources of Colorado receives them?

11 A. Can you --

12 Q. Let me ask it this way.

13 A. -- re-word the question?

14 Q. Is Mr. Mosley receiving credits for plant liquids
15 back at the wellhead?

16 A. He's receiving credits for everything that we get
17 in the well --

18 Q. Okay.

19 A. -- back -- What we do in this case is -- is,
20 we're given a net back price at the wellhead, which
21 includes liquids credits, but it also includes those
22 charges that we have to pay to the gathering company to
23 move the gas to market.

24 Q. Okay, so the gathering, transportation,
25 processing costs are being --

1 A. It's all the same. It's the same for everybody.

2 Q. Okay.

3 A. That's correct.

4 Q. And -- and -- and those charges are being
5 assessed back against 8/8 of a pooled interest owners's
6 interest? How does that --

7 A. It -- it would be 7/8 in Mr. Mosley's case. If
8 you looked at Exhibit 3 here, Lori gave Mr. Mosley credit
9 for 7/8 of the well, and he's getting the other 1/8 in
10 royalty interest.

11 Q. Okay.

12 A. So we're not -- I mean, I think it's too
13 difficult to divvy up the books like that. We just keep it
14 straight, and everyone's on the same -- same field.

15 What's important to know is that Mr. Mosley, Bob
16 Mosley, in this case, is a nonconsent force-pooled owner.
17 He is only having to pay 7/8 of the -- his working interest
18 back, payout of the well plus 200 percent, versus -- versus
19 8/8, so... And he's getting some royalty per the order,
20 so...

21 Q. In your marketing of the gas from the Number 1
22 well now, are all of the interests in balance?

23 A. That's correct --

24 Q. O- --

25 A. -- there's no gas out of balance.

1 Q. Okay. And you continue to -- you plan to
2 continue to keep it that way?

3 A. Yes, sir.

4 Q. And would you do the same for the Number -- the
5 1E well?

6 A. Yes, sir, that's correct.

7 Q. Okay.

8 A. Although I'm -- one of our industry partners may
9 have elected to market the gas themselves. I'm not sure if
10 it's that well or another well, but --

11 Q. As far as you know, he remains in balance?

12 A. Correct.

13 Q. Okay.

14 A. But everyone's in balance on the Number 1 well.

15 Q. All right. And as I understand the way your
16 proposal would operate, you would have two separate
17 accounts for the original well and the infill well here?

18 A. (Nods)

19 Q. You need to answer verbally.

20 A. That -- that is correct.

21 Q. Okay.

22 A. We -- we give them property numbers that are
23 separate -- separate properties, separate projects, and
24 they're treated that way.

25 Q. You'll be reporting to the State under a single

1 production-unit number; is that right?

2 A. That's correct.

3 Q. For the interest owner that may be marketing his
4 share separately, are you assessing any sort of accounting
5 charge or balancing charge to allow him to do that?

6 A. Our current JOA with -- with the current owners,
7 we had that in there initially, and we took it out.
8 ConocoPhillips, Burlington, did not want that in there --

9 Q. All right.

10 A. -- and so... We tried to have that in there as a
11 discouragement to market their own gas, just because of the
12 -- as a small company, that -- the amount of time it takes
13 to do all that.

14 Q. All right. So when you circulated a well
15 proposal in a proposed joint operating agreement, if you
16 recall, it had attached to it a proposed form of gas
17 balancing agreement?

18 A. That's right, that's Exhibit E.

19 Q. And -- and now since, as I understand it, you're
20 striving to keep all the interests in balance --

21 A. That's correct.

22 Q. -- going forward, that balancing agreement would
23 not apply in the context of this amended pooling order; is
24 that right?

25 A. That's correct.

1 Q. Okay.

2 A. And I don't see how it could, because we don't
3 have JOAs signed with anybody. Of the -- any of the
4 nonconsent working interest owners, is what I mean.

5 Q. I assume you're familiar with the standard
6 industry form JOA 610 operating agreement --

7 A. Yes, sir.

8 Q. -- and what I understand you're trying to do,
9 generally, is incorporate the provisions of Article VI --
10 VI.B, which address subsequent operations; is that
11 generally correct?

12 A. Yes, sir.

13 Q. In this particular case, I was confused by your
14 JOA because it identified the 2003 well as the initial
15 well.

16 A. Uh-huh, that's right.

17 Q. How was this pooling order to work? If -- if --
18 if the Division amends the pre-existing pooling order, will
19 the, quote, initial well be the 1E well, or will it be the
20 Number 1 well?

21 Is my question clear? In other words, I want to
22 make sure, if subsequent operations are proposed on the
23 Number 1 well, then a pooled party who went nonconsent on
24 the drilling of the Number 1 well would be given notice of
25 any proposed workover or recompletion of the Number 1 well

1 and an opportunity to participate in that operation?

2 A. I see.

3 Q. Is that the way it works?

4 A. I'd have -- I'd have to look at the operating
5 agreement, but -- I mean, I don't have an operating
6 agreement with the parties -- In other words, if we went
7 and re-frac'd a zone between the Mesaverde and Dakota, for
8 instance, where would the nonconsent party be?

9 You know, if it was a completely different zone,
10 I would have to say that it would be a -- a -- we'd have to
11 go to hearing. Let's say we wanted to come up and -- and
12 -- Let's just say there was a Gallup stringer in there that
13 -- that -- I mean, to me that would be like a new well.

14 But if we had to work over -- if we had to work
15 over the -- the Mesaverde or Dakota, I mean, I think that
16 just goes against -- that -- that's just more LOE and
17 workover cost. So...

18 Q. Well, let's think about that a little bit. Let's
19 turn to what I've marked as Exhibit 1, which is -- Do you
20 recognize that as your -- as San Juan's transmittal letter,
21 dated October 22, 2004, for the proposed joint operating
22 agreement for the 1E well?

23 A. Yes, sir.

24 Q. And it has attached to it a standard 610 1982
25 operating agreement?

1 A. Correct.

2 Q. If you'll look at the first page of that JOA,
3 this is for the 2003 well, correct?

4 A. No, this JOA was for the infill well, because if
5 you look at the bottom of paragraph 2 on the first page of
6 Exhibit 1, I say, "Consequently, the force-pooling order
7 (instead of the enclosed JOA) governs the operations of the
8 Tecumseh #1 Well, as far as your mineral interest is
9 concerned."

10 Q. So what did that mean exactly? Was -- were these
11 interest owners not being afforded the opportunity to
12 execute this JOA?

13 A. It was -- it was my understanding that they did
14 not want to -- they did not want to sign it on the first
15 well. So I sent them one for the second well in hopes that
16 they would do that.

17 I mean, if they wanted to say, Okay, you're
18 probably right, we probably need to be under a JOA, that
19 will help us have things spelled out correctly so that we
20 know how to operate and how -- how you're going to do
21 business with us, and vice-versa.

22 They could have come back to me and said that,
23 and -- and in most cases when you deal with other interest
24 owners, they go, Well, you know, I -- I'd like to be in the
25 JOA for both wells. They may come back and say that.

1 But I wasn't -- I wasn't -- I mean, I would
2 prefer to have them under a JOA, as if they were -- as if
3 they were -- just like anybody else in the well.

4 Q. Well, I think I understand what you're saying.
5 What I'm driving at, though, is that it --it appears from
6 the transmittal letter that the JOA -- If you look at the
7 first paragraph of the first page, it appears that the JOA
8 was contemplated to be operative for the 1E infill well,
9 but then you look at the JOA, and it is the original JOA
10 for the --

11 A. Uh-huh.

12 Q. -- Number 1 well.

13 A. That's right.

14 Q. And so the reason I ask the questions, again, I
15 want to understand whether -- under the order that you're
16 proposing Mr. Catanach enter, whether the initial well will
17 be regarded as the Number 1 well or the 1E infill well.

18 A. Per the JOA or --

19 Q. No, no --

20 A. -- per the order?

21 Q. -- the order.

22 A. The initial well is the parent well, the Number 1
23 well. Subsequent operations would be the -- the infill
24 well.

25 Q. Okay. Do you intend for the amendment to the

1 order to allow for subsequent operations on the original
2 Number 1 well, as well, should it be warranted?

3 A. Well, you know, you always have -- have jobs you
4 have to do, to pull pipe, or if you have paraffin problems
5 or, you know, downhole matters. I mean, you get a hole in
6 the tubing or casing, so that -- I -- I would think that
7 would be necessary to do.

8 In other words, I wouldn't -- that would just be
9 additional operations that the nonconsent owners would have
10 to bear.

11 Q. If -- Let me pose a hypothetical. If there is a
12 proposed abandonment of the Number 1 well, the pooled
13 parties would be afforded the opportunity to take over the
14 Number 1 and propose their own recompletion or what have
15 you for that well? Is that the way you contemplate the
16 order will work?

17 A. That's pretty hypothetical.

18 Q. This is a novel concept before the Division, I
19 want you to know, so...

20 A. Right. I mean, if -- if -- if they didn't -- if
21 they didn't want to plug the well, I'd just turn it over to
22 them and they could -- they could end up trying to produce
23 it, and it would be their plugging responsibility.

24 In my view, plugging jobs are twenty or forty
25 thousand dollars, depending on -- on what you have to do.

1 So if they were willing to -- to take that over and do
2 that, I think that would probably be something I would be
3 open to.

4 Q. And they would have the authority to do that
5 under the amended pooling order?

6 A. I don't know. I'd have to discuss -- I'd
7 probably have to discuss this with Mr. Kellahin to try to
8 help me, thinking here on this whole matter. I'm thinking
9 on my feet right at this point on these sorts of things.
10 You bring up an interesting point.

11 MR. HALL: I have nothing further, Mr. Examiner.
12 I'd move the admission of Exhibits 1, 2 and 3.

13 EXAMINER CATANACH: Any objection?

14 MR. KELLAHIN: None.

15 EXAMINER CATANACH: Exhibits 1, 2 and 3 will be
16 admitted.

17 And I just have a couple questions.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. You were not able to locate certain parties again
21 for the infill well in this case; is that correct?

22 A. That's correct.

23 Q. And those are identified in your green-card
24 section of your exhibit book as -- I think you identified
25 them as people did not sign for the -- Let's see.

1 A. It would be Exhibit 9 from Mr. Kellahin's
2 exhibits.

3 Q. Right.

4 A. What we --

5 Q. Those are identified as return-to-sender parties?

6 A. That's correct, and that's the back seven or
7 eight copies of Exhibit 9. After the copies of the green
8 cards.

9 Q. Okay. And we did do publication notice for --
10 for those particular parties, correct?

11 MR. KELLAHIN: Yes, sir, it would be Exhibit 16.

12 Q. (By Examiner Catanach) Okay. I just wanted to
13 verify, the rates you're proposing, you're staying with the
14 forty-nine-o-five drilling rate?

15 A. Yes, sir.

16 Q. You're going to five-fifty producing rate?

17 A. Yes, sir.

18 Q. Okay. And this amended order is -- is proposed
19 to only cover this infill well, not subsequent wells
20 drilled after that; is that correct?

21 A. That's correct.

22 Q. Okay. And the Number 1 well -- is that a dual
23 well, Mesaverde-Dakota?

24 A. It's a commingled well.

25 Q. It's a commingled well, okay. So that's how you

1 anticipate to complete the infill well --

2 A. Yes, sir.

3 Q. -- as a commingled well? Okay.

4 EXAMINER CATANACH: And is it your desire to have
5 these compulsory pooling infill well provisions
6 incorporated into this pooling order, Mr. Kellahin?

7 MR. KELLAHIN: That was our plan --

8 EXAMINER CATANACH: Okay.

9 MR. KELLAHIN: -- is to simply have them attached
10 if you chose to adopt them.

11 EXAMINER CATANACH: Okay. Gail?

12 MS. MacQUESTEN: No questions, thank you.

13 EXAMINER CATANACH: Okay, I have nothing further.
14 Don't know if you guys want to -- How do you feel about
15 draft orders? I don't know that -- I -- I don't know that
16 we've done one of these. Have we, Tom? Do you know if
17 we've done a subsequent --

18 MR. KELLAHIN: We've had meetings among lawyers
19 for about a decade now. It started back with Rand Carroll
20 in the 1990s, and we got through various evolutions with
21 landmen about what to do with revising the pooling orders.

22 And the closest I can find that Mr. Brooks, back
23 in '01, in a Yates case, had some subsequent operation
24 discussion for an infill well that Yates wanted, and I have
25 that order here for you if you'd care to look at it. But

1 that's as close as I can get to a critter that looks like
2 this one.

3 MR. HALL: Mr. Examiner, you might also look at
4 Order Number 12,006-A, Mack Energy. It's the only one I
5 could find.

6 EXAMINER CATANACH: 12,0- --

7 MR. HALL: 12,006-A, Case Number 13,206.

8 EXAMINER CATANACH: Mack Energy. But you have
9 participated in discussions regarding this subject over the
10 years, Mr. Kellahin?

11 MR. KELLAHIN: Numerous ones, Mr. Examiner. And
12 that's where this -- the genesis of this draft came from,
13 is, I pulled it out of the last working committee draft,
14 and Mr. McHugh and I went through it and made a few
15 changes, mostly with grammatical things, and have submitted
16 it to you as a solution for this infill well.

17 EXAMINER CATANACH: Okay. Would you care to take
18 a shot at a draft order?

19 MR. KELLAHIN: Sure, be happy to.

20 EXAMINER CATANACH: Okay. I don't know that -- I
21 don't know if you need to do that. It just might be
22 helpful to have something to start from.

23 MR. KELLAHIN: Well, I will e-mail it to both of
24 you, and -- after I get it put together, and let you work
25 from it.

1 EXAMINER CATANACH: Okay. Anything further,
2 gentlemen?

3 MR. HALL: (Shakes head)

4 MR. KELLAHIN: No, sir.

5 EXAMINER CATANACH: Okay, there being nothing
6 further, Case Number 13,391 will be taken under advisement.

7 MR. KELLAHIN: Thank you.

8 EXAMINER CATANACH: And this hearing is
9 adjourned.

10 (Thereupon, these proceedings were concluded at
11 11:06 a.m.)

12 * * *

13
14
15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. 13391,
18 heard by me on January 6, 2005.
19 David R. Catanch, Examiner
20 Oil Conservation Division
21
22
23
24
25

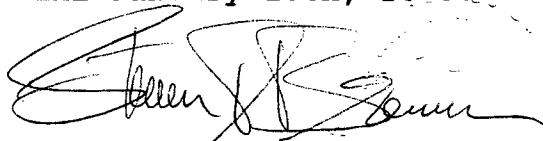
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL January 10th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006