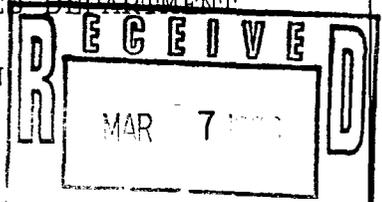


STATE OF NEW MEXICO

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: )

OIL CONSERVATION DIVISION  
CASE NO. II,471

APPLICATION OF GECKO FOR COMPULSORY )  
POOLING, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 22nd, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 22nd, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

February 22nd, 1996  
 Examiner Hearing  
 CASE NO. 11,471

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\* \* \*

## A P P E A R A N C E S

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P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

## FOR ANSON GAS CORPORATION:

CAMPBELL, CARR & BERGE, P.A.  
Suite 1 - 110 N. Guadalupe  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:45 a.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4   11,471.

5           MR. CARROLL: Application of GECKO for compulsory  
6   pooling, Lea County, New Mexico.

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

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

13          MR. CARR: May it please the Examiner, my name is  
14   William F. Carr with the Santa Fe law firm Campbell, Carr  
15   and Berge. I'd like to enter our appearance on behalf of  
16   AnSon Gas Corporation.

17          We do not have a witness.

18          EXAMINER CATANACH: Any additional appearances?

19          Okay, will the witness please stand and be sworn  
20   in?

21          (Thereupon, the witness was sworn.)

22          MR. KELLAHIN: Mr. Examiner, we're seeking a  
23   compulsory pooling order that would allow us the  
24   opportunity to pool certain uncommitted interest owners for  
25   an oil well for any formation from the surface to the base

1 of the Strawn formation. The spacing unit will be the  
2 southeast quarter of the northeast quarter of Section 28.

3 You'll note from the docket and from the original  
4 application that at the time this case was filed, an  
5 additional item was requested for an 80-acre oil spacing  
6 unit. There, in fact, are no 80-acre pools, and this is  
7 not within a mile of an 80-acre pool, so it would be  
8 premature to ask for that relief.

9 The Strawn in this area has not been developed.  
10 It's a wildcat Strawn oil well.

11 Mr. Thompson and I have searched, and we believe  
12 there are no pool rules that affect this area, and so we're  
13 on standard statewide spacing for his project.

14 There are three categories of parties yet to be  
15 committed. One is a working interest ownership held by  
16 AnSon Oil. It's a little over 5 percent, and we'll show  
17 you the -- It's about 5.5 percent. We'll show you the  
18 documentation, and that's rather conventional.

19 There is a 2.08-percent interest from an estate  
20 that we're unable to locate those beneficiaries, and so  
21 there is an interest for which we have not located those  
22 owners.

23 And then finally, we're going to show you  
24 documentation from GECKO's title attorney, Mr. Rod  
25 MacDonald in Midland, in which we are, based upon his

1 recommendation, pooling what we characterize as the Sumruld  
2 interest. It's S-u-m-r-u-l-d.

3 And while GECKO has a lease from what we believe  
4 to be the appropriate Sumruld heir, there is litigation  
5 that disputes that that's going on among certain heirs, and  
6 so as a precaution I have recommended to GECKO that we  
7 notify all those parties. And we have done that, and to  
8 the best of my knowledge, there has been no response from  
9 any of them. That's a little unusual, so I bring it to  
10 your attention.

11 With that introduction, I'd like to commence our  
12 presentation with Mr. Steve Thomson. Mr. Thomson is a  
13 petroleum engineer, and he resides in Midland, Texas.

14 STEVE THOMSON,

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

17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q. For the record, sir, would you please state your  
20 name and occupation?

21 A. Steve Thomson. I'm President of GECKO,  
22 Incorporated.

23 Q. And you hold a degree in petroleum engineering,  
24 do you not, sir?

25 A. Actually, chemical engineering and geology.

1 Q. As a result of your experience and education, you  
2 as the principal of your company are involved in making  
3 decisions with regards to drilling wells?

4 A. Yes, I am.

5 Q. And as a principal in your company, you're  
6 familiar with the ownership with regards to this particular  
7 spacing unit?

8 A. Yes, sir.

9 Q. And your company's efforts to find these parties  
10 and attempt to reach voluntary agreement?

11 A. Yes, sir.

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

14 EXAMINER CATANACH: He is so qualified.

15 Q. (By Mr. Kellahin) Let's turn to the Exhibit  
16 Number 1, Mr. Thomson, and for the record, sir, would you  
17 identify what we're looking at?

18 A. Exhibit Number 1 is basically just a reproduced  
19 land map that we've done not only a production search, but  
20 we've done kind of a depth-penetrated type geologic search  
21 in an attempt to show what the production in the area is,  
22 what wells have been drilled in the area as far as  
23 objective goes, and basically what the results of the  
24 drilling is in this area, all of this headed towards what  
25 the risk of this prospect is.

1 Q. When we look in Section 28, in the southeast of  
2 the northeast, there's a yellow square. What does that  
3 represent?

4 A. That's approximately -- The drill site is noted  
5 there. It's the GECKO Wilks Number 1 well. The  
6 highlighted yellow square, if you will, is -- that's the  
7 approximate 40-acre unit.

8 Q. Based upon your knowledge and information, Mr.  
9 Thomson, is the ownership within the 40-acre tract the same  
10 within that 40 acre tract? In other words, it's composed  
11 of multiple interests, but they are common throughout that  
12 40-acre tract?

13 A. Yes, actually the interest is common in an entire  
14 120-acre tract that would be the 40-acre unit that's  
15 highlighted there, that would be the same if that was a  
16 standup 80 unit, and then it would also include the 40,  
17 just to the west of that 80 unit. So that whole 120 acres  
18 has common title.

19 Q. Identify for us the significance of the triangles  
20 and then the color codes for those triangles.

21 A. We've characterized these wells in two manners  
22 and then segregated by depth.

23 The circles you see are wells that actually  
24 produce some quantity of hydrocarbons. We have not  
25 attempted to weed out wells that were uneconomic. If they

1 were completed as producers, we denote them with circles.

2 The triangles are basically drilled and abandoned  
3 tests by objective.

4 So what you have here is basically a three-mile  
5 snapshot of what the tests and production have been in the  
6 area.

7 Of note is, there's a couple of wells down in the  
8 very southwest corner of this map that were produced out of  
9 undifferentiated Penn-age formations, probably Permo-Penn  
10 type or Cisco/Canyon equivalent. And then to the very  
11 north, up in Section 16 of 15-37, is again an  
12 undifferentiated Penn-type well.

13 There has been one Strawn test that's in Section  
14 22 of 15-37, and then a couple of Strawn tests over in 29  
15 and 31.

16 That's really the only Strawn tests that have  
17 been drilled out here. Obviously, I think that the Strawn  
18 was probably looked at in the Devonian wells on their way  
19 down, but there is no Strawn production in this area.

20 Q. What is the anticipated depth of the well, Mr.  
21 Thomson?

22 A. It would be about 11,600, 11,700.

23 Q. And what is your first target to be what  
24 formation, sir?

25 A. There's a secondary potential in the Wolfcamp.

1 The primary objective is the Strawn.

2 Q. How far away do we have to go before we find the  
3 first Strawn production?

4 A. It's about six miles till you go to the Dean  
5 field where there's commercial Strawn production.

6 Q. As part of your efforts to identify and then  
7 contact interest owners that would be entitled to  
8 participate with you in this project, have you sought the  
9 services of Rod MacDonald, an attorney in Midland, Texas?

10 A. Yes.

11 Q. And he provided you with a title opinion with  
12 regards to the ownership involved in the spacing unit?

13 A. Yes, that's right.

14 Q. As a result of his opinions, have you and others  
15 in your behalf attempted to contact all interest owners and  
16 obtain leases or other agreements by which they would  
17 participate in the well?

18 A. Yes we have.

19 MR. KELLAHIN: Mr. Examiner, I have provided you  
20 a portion of Mr. MacDonald's title opinion from July of  
21 1995. It's marked as Exhibit 2.

22 You'll note that I have taken certain portions of  
23 the title opinion and I have deleted them. That was  
24 intentional. I do not have Mr. MacDonald's authority to  
25 release that. Some of that information is still

1 confidential to him, and he's working on curative matters,  
2 and I've been asked not to release that.

3 I have given you, though, what I think is the  
4 relevant information insofar as the interests are concerned  
5 here, and I'll ask Mr. Thomson to help me identify those  
6 things.

7 Q. (By Mr. Kellahin) When we look at Exhibit 2, Mr.  
8 Thomson, let's turn over to the second page, and the title  
9 attorney identifies an interest of Sylvia Janie Sumruld.  
10 Are you familiar with that interest?

11 A. Yes, I am.

12 Q. Based upon your information and belief, is this  
13 an interest for which you have obtained a lease?

14 A. Yes, we obtained what we consider a valid lease  
15 on this interest.

16 Q. Has Mr. MacDonald recommended to you that you  
17 also name all the Sumruld interests or potential claimants  
18 in a force-pooling case in order to protect your position?

19 A. Yes, he did.

20 Q. When you turn through the title opinion and you  
21 start on -- it looks to be page 24 at the very bottom,  
22 where it's curative requirement Number 11 at the very  
23 bottom, it goes on and describes on the following page, 26,  
24 the details that Mr. MacDonald had determined with regards  
25 to this interest.

1           Turn to the third page of the opinion. There is  
2 "Devises of Leslie Graydon Caudill, Sr." Are you familiar  
3 with that interest?

4           A. Yes, I am.

5           Q. Despite your efforts, have you been able to find  
6 the devisees of that decedent?

7           A. No, we have not.

8           Q. And it represents a 1/48th interest in the  
9 spacing unit?

10          A. Yes, that's correct.

11          Q. The Caudill interest, then, would have about a  
12 2.8 percent of the spacing unit, and that would be an  
13 unleased mineral interest?

14          A. Right.

15          Q. All right, sir. And then finally, when you turn  
16 over to page 4 of the title opinion, there shows a working  
17 interest under AnSon Gas Corporation of 5.47 percent. Do  
18 you find that?

19          A. Yes, I do.

20          Q. Have you been in contact with and sent  
21 communications to AnSon in order to obtain their  
22 cooperation and participation in the project?

23          A. Yes, we have.

24          Q. Let's turn to that topic now, Mr. Thomson. If  
25 you'll refer to what is marked as a package of

1 correspondence under Exhibit Number 3, let's start with the  
2 first letter. Describe for us what you're doing here.

3 A. The first letter, dated July 5th of 1995, was  
4 simply a letter basically stating that we had identified  
5 them as a working interest owner in the proposed drilling  
6 unit and proposed the well to them.

7 We -- Along with the letter that you see there,  
8 the next page is an AFE we sent them for the anticipated  
9 cost to drill and complete the well.

10 Q. Is this still the AFE that you proposed to  
11 utilize with regards to the compulsory pooling?

12 A. Yes.

13 Q. Following the AFE, what is the next  
14 correspondence?

15 A. The next correspondence basically identifies a  
16 typographic error on the original AFE that did not  
17 correctly state what the location was. This letter was  
18 just correcting where the drilling unit was to be.

19 Q. So it identifies for them now in July that you  
20 intend to put the well in the southeast of the northeast of  
21 28?

22 A. Right.

23 Q. All right. Following that, did you receive any  
24 correspondence from AnSon?

25 A. Yes, a week or so later, in a letter dated July

1 17th, 1995, we received a letter from Dan Fischer at Anson.

2 Q. Mr. Fischer raises certain questions, one  
3 concerning an operating agreement. Have you communicated  
4 with Anson and afforded them an opportunity to review your  
5 proposed operating agreement?

6 A. We offered to send them an operating agreement if  
7 they had any interest in participating in the well. In an  
8 effort to save time for them and us, we did not send them  
9 one if they didn't have any interest in participating.

10 Q. With regards to their inquiries about the AFE  
11 costs, have you corresponded to them with regards to the  
12 AFE?

13 A. Yes, we have. They expressed some concern that  
14 the AFE was higher than their experience in the area. We  
15 basically agree with them. We drilled some nine or ten  
16 Strawn tests in this immediate area. The AFE that we sent  
17 AnSon is the same AFE we've sent all our partners.

18 The wells have had differences in, mechanically,  
19 the way we approach the wells and at times some of the  
20 problems we've incurred.

21 So the AFE we sent AnSon is a canned AFE we've  
22 used in the area. And given a well that goes normal  
23 without any big problems, the AFE is high.

24 Q. You have interest owners already committed to and  
25 having prepaid based upon the AFE that you've submitted to

1 AnSon?

2 A. In past wells.

3 Q. Yes.

4 A. Nobody has prepaid on this well. They typically  
5 prepay ten or fourteen days before spud.

6 Q. July 24th of 1995, then, you have -- is the next  
7 piece of correspondence, and that's a letter from you back  
8 to Mr. Fischer?

9 A. Yes, and it's basically just a response to his  
10 letter. And all my letter really says is that all that  
11 we've proposed to them is the same thing we're proposing to  
12 the 94-plus percent of the working interest that's already  
13 agreed to drill the well.

14 Q. I believe my package fails to contain another  
15 letter that you sent to AnSon. I think it was a January  
16 10th, 1996, letter where you again sent to AnSon a final  
17 opportunity to participate in the well?

18 A. Yes, that's correct. We -- I guess just prior to  
19 applying for this hearing, we sent them a letter, again  
20 requesting they participate in the well.

21 Q. All right. Then finally on February 16th, did  
22 you by facsimile deliver this last letter to AnSon Oil  
23 Company?

24 A. Yes, we did.

25 Q. Did you follow up this letter with phone

1 conversations within the last week to AnSon?

2 A. Yes, I've had four telephone conversations with  
3 them on Monday and Tuesday of this week.

4 Q. What's the end result of the conversations?

5 A. The end result of the conversation is, they, A,  
6 did not want to participate in the well, B, did not want to  
7 sell their interest in this area.

8 Q. What did they advise you with regards to the  
9 compulsory pooling case?

10 A. They basically said they didn't have any problem  
11 with being pooled at this point. We discussed the  
12 possibility briefly of a farmout, and we pretty mutually  
13 agreed that the amount of paperwork to be required for  
14 their interest didn't make sense for either one of us.

15 MR. KELLAHIN: Mr. Examiner, Exhibit 4 is  
16 documentation from Mr. MacDonald to me with regards to the  
17 disputed interest, which is the Sumruld interest. I've  
18 attached the information he sent me so that you can see the  
19 notifications were sent to all those parties.

20 Q. (By Mr. Kellahin) Exhibit 5, Mr. Thomson, would  
21 you identify and describe this exhibit for us?

22 A. Exhibit 5 is just a model form operating  
23 agreement. It's dated July of 1995. It's the operating  
24 agreement that actually covers three prospects, with some  
25 partners of ours.

1           The well that's the subject of this hearing is  
2 contained within the Jake, J-a-k-e, prospect which you'll  
3 see on this title page of this agreement.

4           Q.    What are the overhead rates that you have agreed  
5 to and committed to for this well?

6           A.    We've agreed to basically a drilling overhead  
7 rate of \$5000 per month and a producing well rate of \$450  
8 per month.

9           Q.    And those rates that are less than the current  
10 1995 *Ernst & Young* tabulation of those averages?

11          A.    Yes, they're below those.

12          Q.    All right, let's turn now to your Exhibit Number  
13 6. Let's look at Exhibit Number 6, Mr. Thomson, and have  
14 you identify and describe what we're looking at.

15          A.    Okay, Exhibit Number 6 is basically the prospect  
16 map for this prospect.

17                    What this is, this is a map generated off 3-D  
18 seismic data. You can see on the outside edge of the map  
19 the lines and traces that lay out the 3-D grid that we  
20 shot.

21                    This is an amplitude map. The basis of the  
22 amplitude is an isochron that's between -- I guess an  
23 impedance contrast, the first part, the first in contrast  
24 occurs to Penn shale, which would be right above the  
25 Strawn. The second contrast will occur down in the area

1 where the clastic section at the base of the Strawn goes  
2 into the Atoka. And this map is an isochron or an isopach  
3 between those two impedance contrasts.

4 What the colors show you is, in Section 28, more  
5 or less the east half of Section 28, we're seeing a  
6 thickness or a buildup in the Strawn at this location, and  
7 that is the -- Well, that is the prospect.

8 Q. Who will be the operator of the well?

9 A. GECKO, Inc.

10 Q. Do you have a recommendation to the Examiner for  
11 a risk-factor penalty to be applied in this pooling case?

12 A. Based on the production map I guess we presented  
13 in Exhibit 1, and this being a seismic prospect only with  
14 no well control, this is a high-risk drilling prospect.

15 Q. The Division is authorized to award a maximum  
16 penalty of cost plus 200 percent to the operator under a  
17 compulsory pooling order where the parties ultimately go  
18 nonconsent.

19 Within that range of percentage penalty, what is  
20 your percentage recommendation?

21 A. We would recommend and ask for the maximum  
22 percentage.

23 MR. KELLAHIN: Mr. Examiner the Exhibit 7 is my  
24 certificate of notification to the parties involved in this  
25 matter.

1           And with the submittal of that information, we  
2 request you admit Exhibits 1 through 7 at this time.

3           EXAMINER CATANACH: Exhibits 1 through 7 will be  
4 admitted as evidence.

5           MR. KELLAHIN: That concludes my examination of  
6 Mr. Thomson.

7           EXAMINER CATANACH: Mr. Kellahin, on the 80  
8 acres, are you requesting that we dismiss that?

9           MR. KELLAHIN: Yes, sir. I don't know how you're  
10 going to do it. There's no 80-acre pool out here.

11           And it's the chicken-and-egg problem: We're  
12 going to have to pool the 40s. If he's successful with the  
13 Strawn oil well and it's highly productive, we'll have to  
14 come in and get it spaced wider and then bring in  
15 additional acreage into the pooling order if that's  
16 necessary.

17           We did want AnSon and the others to know, though,  
18 that our plan ultimately may require the east half of the  
19 southeast to be the spacing unit. But it would be  
20 premature to --

21           EXAMINER CATANACH: East half of the northeast?

22           THE WITNESS: Northeast.

23           MR. KELLAHIN: East half of the northeast.

24           But it would be premature to do that until we had  
25 the spacing order.

## EXAMINATION

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BY EXAMINER CATANACH:

Q. Mr. Thomson, your knowledge of the Sumruld interest, is that all one interest covered by one lease? I mean --

A. We believe it is, yes.

Q. Who is that in litigation with? Or who's litigating that?

A. There is a -- Tom, keep me on track here. There's some litigation amongst the heirs.

And the one I'm more familiar with is a bank issue. Interest is trying to be foreclosed on.

Q. So it's your opinion that all of that interest is covered by that lease?

A. Yes.

MR. KELLAHIN: You might find a summary. If you'll look at Exhibit Number 4, and if you'll turn to the lis pendens in the litigation between the bank and Sylvia Sumruld, it says "Lawsuit" in black.

If you read down the lis pendens, part of the problem in the objective of the litigation is to set aside what they consider to be fraudulent real estate and other conveyances of mineral interests. And the title attorney is concerned that in the event the bank is successful, they might have affected the lease of Sumrulds' interest to

1 GECKO.

2 And because of that and out of an abundance of  
3 caution, he is suggesting we name all of those parties in  
4 the pooling. We've done that, and none have responded.

5 And so it's based on his recommendation that  
6 while we think it's a leased interest, if the court sets  
7 aside the lease, then he wanted these other parties to have  
8 been pooled.

9 MR. CARROLL: So Mr. Kellahin, it's your  
10 understanding that this bank had a mortgage or a lien on  
11 the property, and then there was a conveyance made of the  
12 mineral interest?

13 MR. KELLAHIN: I can't tell you the details.  
14 That's my impression. And rather than become involved in  
15 their litigation over which we have no control and for  
16 which we're not parties, we simply named them all.

17 EXAMINATION

18 BY MR. CARROLL:

19 Q. Have you had any contact from Lea County State  
20 Bank when they received notice of this application?

21 A. Yes, they were concerned that what we were trying  
22 to do was perfect the person who we took the lease from's  
23 interest and basically circumvent, you know, the  
24 proceedings ever going through.

25 And then we assured them that, you know,

1 basically, we don't have a dog in that fight, we just want  
2 to protect our title, correlative rights. And, you know,  
3 whatever they worked out would be fine. You know, we don't  
4 have any say in that.

5 Q. So the bank understands that whoever owns this  
6 interest is going to be subject to this force-pooling  
7 order?

8 A. If our lease is not valid, that's correct.

9 Q. But they want -- If the result of this lawsuit is  
10 that the bank can set aside the lease, are you going to  
11 give them a election to participate in the well, even  
12 though it's past the time for election?

13 A. I don't know why we wouldn't. We're a customer  
14 of that bank, and they're awful good people, and anybody  
15 that brings us clear title on it, I don't know why we  
16 wouldn't work with them.

17 That's a business decision of the magnitude that  
18 I would be real easy to work with on.

19 FURTHER EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. Thomson, are you aware of the efforts  
22 undertaken to locate the Caudill interest?

23 A. Yes.

24 Q. Can you describe those efforts?

25 A. I guess the foundation of it is, you know, an

1 exhaustive courthouse search that would include the mineral  
2 estate, as well as any probate proceedings.

3 From that point on, it's a name-and-address type  
4 search which, you know, has utilized local telephone-  
5 directory-type information, as well as some of the  
6 nationwide databases that are now available on CD-ROM-type  
7 media. It just came up dry.

8 Q. Have you drawn up the new AFE for this well?

9 A. No.

10 Q. Are you going to do that?

11 A. Had not planned on it. We maintain some  
12 flexibility with parties on an individual basis if they  
13 express a desire to participate in the project.

14 As I stated before, the AFE that I used and  
15 presented to AnSon is an AFE we've used for multiple wells  
16 in this area, and just have not had a reason to date to  
17 change it.

18 Q. In your letter to AnSon you've stated that you  
19 have drilled and completed Strawn wells for \$100,00 less  
20 than the AFE though?

21 A. Yes.

22 Q. Is it your opinion that that would be -- you  
23 might be able to do that with this well?

24 A. Yes.

25 EXAMINER CATANACH: Okay.

## 1 FURTHER EXAMINATION

2 BY MR. CARROLL:

3 Q. Have you drilled a lot of wells for \$100,000 less  
4 than this AFE?

5 A. I didn't submit the exhibit, but I prepared --  
6 and this isn't an AFE summary; this is an actual billing  
7 summary, taken exactly the way that I billed the wells out.

8 And we -- There are some nine wells we drilled in  
9 this immediate area, that the average of the wells is  
10 \$463,000.

11 But the average includes three wells that are --  
12 That's dryhole cost. The average includes three wells that  
13 were a half-million-dollars-plus, which pulls up that  
14 average.

15 So basically in the absence of any problems --  
16 The problems drilling these wells mainly can be the severe  
17 loss of circulation or deviation. In the absence of those  
18 problems, you know, \$100,000 less than what that AFE shows,  
19 we've done six times with no problem at all.

20 Q. Don't you think it's about time to change your  
21 AFE here that you've used for a long time?

22 A. At the point it becomes a problem, yes.

23 One of my partners, we've entered into a -- it  
24 was a ten-well program in 1995, and it's going to be a 14-  
25 well program in 1996, where that AFE was part of the

1 contract.

2 So we've used that AFE and we've told the other  
3 partners why that AFE is the way it is, and nobody's had a  
4 problem with it.

5 EXAMINER CATANACH: I think that's all we have,  
6 Mr. Kellahin.

7 Do you have anything further?

8 MR. KELLAHIN: No, sir.

9 EXAMINER CATANACH: I'm sorry, Mr. Carr, do you  
10 have any questions of this witness?

11 MR. CARR: No, I have nothing further in this  
12 case?

13 EXAMINER CATANACH: Okay, there being nothing  
14 further in this case, Case 11,471 will be taken under  
15 advisement.

16 (Thereupon, these proceedings were concluded at  
17 9:15 a.m.)

18 \* \* \*

19  
20 I do hereby certify that the foregoing is  
21 a complete record of the proceedings in  
the Examiner hearing of Case No. 11471,  
heard by me on February 22 1996.

22 David P. Catanach, Examiner  
23 Oil Conservation Division  
24  
25

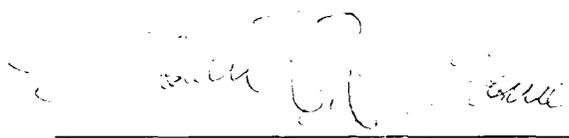
## CERTIFICATE OF REPORTER

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 February 27th, 1996.

  
 \_\_\_\_\_  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998