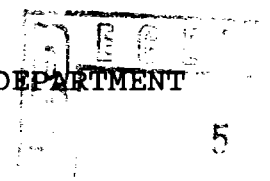


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF GILLESPIE-CROW, INC.,)
FOR AN ALLOWABLE REDUCTION, LEA COUNTY,)
NEW MEXICO)

CASE NO. 11,599

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

August 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, August 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

August 22nd, 1996
 Examiner Hearing
 CASE NO. 11,599

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A P P E A R A N C E S

FOR THE DIVISION:

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(Continued...)

A P P E A R A N C E S (Continued)

FOR YATES PETROLEUM CORPORATION; YATES DRILLING COMPANY;
ABO PETROLEUM CORPORATION; MYCO INDUSTRIES, INC.; RIO PECOS
CORPORATION; PATHFINDER EXPLORATION COMPANY; CANNON
EXPLORATION COMPANY; HOLLYHOCK CORPORATION; TARA-JON
CORPORATION; LARIO OIL AND GAS COMPANY; PEARSON AND
COCHRAN; HANLEY PETROLEUM, INC.; DAVID PETROLEUM
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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 10:07 a.m.:

3 EXAMINER CATANACH: Okay, we've got a case on the
4 docket today, Case Number 11,599, the Application of
5 Gillespie-Crow, Inc., for an allowable reduction in Lea
6 County, New Mexico.

7 We have a motion to dismiss the case filed by Mr.
8 Carr on behalf of several parties, and it's my
9 understanding that we are going to hear the motion this
10 morning, only, and decide after we hear the arguments
11 whether to actually dismiss the case or to dispose of it by
12 other means, continue it or whatever.

13 So at this point we'll let Mr. Carr argue his
14 Motion to Dismiss.

15 MR. CARR: May it please the Examiner, I'm
16 entering my appearance this morning in this case for Yates
17 Petroleum Corporation; Yates Drilling Company; Abo
18 Petroleum Corporation; Myco Industries, Inc.; Rio Pecos
19 Corporation; Pathfinder Exploration Company; Cannon
20 Exploration Company; Hollyhock Corporation; Tara-Jon
21 Corporation; Lario Oil and Gas Company; Pearson and
22 Cochran; Hanley Petroleum, Inc.; David Petroleum
23 Corporation and Nearburg Exploration Company, LLC.

24 EXAMINER CATANACH: Okay. Before you proceed,
25 Mr. Carr, I'll ask for other appearances in this motion

1 proceeding.

2 MR. BRUCE: Mr. Examiner, Jim Bruce from the
3 Hinkle law firm in Santa Fe. I'm representing the
4 Applicant in this case, Gillespie-Crow, Inc.

5 MR. HALL: Mr. Examiner, Scott Hall from the
6 Miller, Stratvert, Torgerson and Schlenker law firm in
7 Santa Fe on behalf of Enserch Exploration, Inc.

8 EXAMINER CATANACH: Mr. Hall, are you going to
9 make a presentation this morning?

10 MR. HALL: No

11 EXAMINER CATANACH: Okay.

12 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
13 the Santa Fe law firm of Kellahin and Kellahin, appearing
14 on behalf of Chesapeake Oil Company.

15 EXAMINER CATANACH: Mr. Kellahin, are you going
16 to make a presentation?

17 MR. KELLAHIN: No, sir.

18 EXAMINER CATANACH: Okay.

19 MR. CARROLL: Mr. Carr, so Nearburg's added to
20 this list?

21 MR. CARR: Nearburg is added to the list. They
22 called yesterday afternoon and asked if they could join in
23 the motion.

24 EXAMINER CATANACH: Okay, Mr. Carr, you may
25 proceed.

1 MR. CARR: May it please the Examiner, the
2 entities I represent either operate wells or own working
3 and royalty interests in the West Lovington-Strawn Pool
4 area and they are affected by the Application.

5 I think it's important in the context of this
6 motion to note initially that we're not just talking about
7 restricting production in the pool.

8 The questions that are before you are questions
9 concerning operations. Who has the right to make
10 decisions, decisions traditionally vested in the operator
11 of properties in this reservoir?

12 The questions that are before you involve
13 property rights and what this Division can do and must do
14 before it takes operating rights from one owner and vests
15 them in another.

16 This case involves questions about doing things
17 right, about acting in accordance with the statutes and
18 rules which govern this agency.

19 It's not so much a question about what Mr.
20 Gillespie seeks or thinks he needs to do; it's a question
21 of how he's going about it and what impact this approach
22 has on the rights of other interest owners in this
23 reservoir.

24 By way of background, and as I think you know,
25 back in November of 1994, Mr. Gillespie approached other

1 interest owners in this field and proposed the formation of
2 a unit.

3 The result of these negotiations was a hearing in
4 June of 1995 and the Order 10,499, which was entered last
5 August, authorizing the formation of this unit under the
6 Statutory Unitization Act.

7 At the time of that hearing -- and you were the
8 Examiner at that time -- you accepted the boundaries of the
9 unit, the horizontal boundaries, as proposed by Gillespie-
10 Crow. You did that because they were not really
11 challenged. In fact, on cross-examination of Mr. Crow, Mr.
12 Kellahin marched Mr. Crow around the unit and established
13 through the testimony of Mr. Crow that this area had been
14 reasonably developed, that the boundaries had been
15 reasonably defined. You named Gillespie-Crow operator of
16 this unit.

17 But if you will recall, at that time you in
18 essence rejected the Gillespie-Crow interpretation of the
19 vertical interval. Snyder Ranches appeared, and they had
20 their own interpretation of the vertical limits of the
21 reservoir. You accepted those, the Division finding that
22 Snyder Ranches' interpretation more accurately honored
23 subsurface well data.

24 The issue here today is not the vertical interval
25 but, because of this Application, becomes the horizontal

1 extent of this unit.

2 Recently Mr. Gillespie has talked to certain
3 other operators in the pool about the expansion of the
4 unit. The response he has gotten has been poor, and so he
5 files his Application.

6 And what does he seek? He seeks to restrict
7 production from non-unit property in the pool to, and I
8 quote, rates equal to the average producing rate from wells
9 in the West Lovington-Strawn unit, restrict everyone else
10 to what he decides to produce.

11 And he says he's doing this because he is, quote,
12 in the process of expanding the West Lovington Strawn unit
13 to include certain adjoining acreage. He's in the process,
14 trying to exclude certain undefined acreage.

15 I wasn't involved in the first hearing, and when
16 I started working on this over the weekend, I thought I
17 would come before you and say, Once pooled, shame on you;
18 twice pooled, shame on us.

19 But this isn't really funny because what you have
20 is the operator of this unit, really, in the guise of this
21 Application, attempting to usurp the operating rights of
22 others, and he is really asking this Division to abandon
23 its role, its regulatory role as that applies to the West
24 Lovington-Strawn Pool.

25 It isn't a question of restricting allowables.

1 The problem is, and the question is, whether or not
2 Gillespie is going to be able to make decisions for others
3 over whom he has no right to make that decision unless he's
4 operator.

5 He's not here saying, Mr. Catanach, let's set a
6 new allowable, let's set a new depth bracket allowable.
7 He's saying, let me decide what they can produce. And he
8 does not have the right to do that. That's a decision that
9 is reserved to this Division, and I submit you cannot pass
10 that authority to someone else.

11 The motion that we have filed raises two basic
12 issues.

13 One is, very simply, that if this is needed,
14 there is a remedy in our statutes and in the OCD rules.

15 And the second objection is that what they seek
16 is vague and absolutely unenforceable.

17 Now, as we think of the West Lovington-Strawn
18 Pool, we have to accept the fact that today it is operated
19 under two sets of rules. The Division sets spacing, sets
20 allowables; and those of Mr. Gillespie within the unit.
21 And he has been given the right to decide at what rate
22 wells can be produced within the unit and how allowables
23 are to be shared because he came to you and he got that
24 authority.

25 And he came in here with experts who testified

1 about what they intended to do in the acreage outlined on
2 this exhibit, and he said that the boundaries had been
3 defined, and you agreed. And since that time he has
4 operated the acreage within the boundary.

5 But now he wants to do things outside the unit.
6 And since the time this unit was formed, he has drilled
7 additional wells outside the unit and he is restricting
8 production from those to equal what's going on in the unit,
9 over the protest of other interest owners in those wells.

10 If however, that is needed, if restrictions on
11 production are needed, there is a remedy available, and
12 that remedy is the Statutory Unitization Act. When that
13 Act was adopted, the Legislature concluded that there were
14 circumstances where, in fact, all properties in the pool
15 needed to be operated by one person under one plan. Mr.
16 Gillespie knows that. He formed the unit under that
17 statute.

18 But that statute contains very express provisions
19 governing how a unit, once formed, can then be enlarged.
20 And what you have before you here today is an Application
21 that ignores those statutory provisions. He's asking, in
22 fact, that all operational decisions be submitted to him.

23 Now, the requirements in the Statutory
24 Unitization Act go far beyond just the requirements in the
25 Oil and Gas Act that relate to prevention of waste and

1 protection of correlative rights.

2 And there's a reason for that, because when that
3 Statutory Unitization Act is invoked, it involves a taking
4 of property. The State is asked to invoke its police power
5 and to take the rights of one person in a property and give
6 it to another.

7 And so they have very specific, very strict
8 standards that must be met before you do that, and it's to
9 protect the rights of people like the people I represent
10 here today who are outside the unit. The Act says you must
11 have certain things in the application, there are very
12 specific matters that you must find before you enter an
13 order, and the order must contain very definite things that
14 are required by law.

15 And it goes beyond that, and it says if other
16 things are needed over and above these -- it doesn't throw
17 these requirements out -- if other things are needed to
18 prevent waste and protect correlative rights, then you may
19 do those also. But you must follow the Act. And this
20 Application today circumvents that Act.

21 The remedy for Mr. Gillespie is under that
22 statute. And simply being in the process of expanding the
23 unit, whether they succeeded or not, is not sufficient. It
24 isn't an alternative to these statutory requirements. If
25 he's going to make these decisions for other operators, he

1 must gain that right, and he must do it through statutory
2 procedures. And it's because if he doesn't, our rights are
3 not protected.

4 We have a right, before you say we can't operate
5 our wells as we deem fit under the statewide or under the
6 poolwide depth bracket allowable but must do what Mr.
7 Gillespie says, we have a right first to come in here and
8 have Mr. Gillespie present geological data that shows that
9 this reservoir extends to the north where Hanley is
10 operating, extends to the northeast where David Petroleum
11 is located, extends off to the east where Yates has
12 property interests.

13 And he must come in here and he must show that
14 not only is that acreage in communication with the pool as
15 he defined it before, but he has to show that inclusion is
16 necessary to carry on secondary-recovery operations, and he
17 must show that what he plans to do is fair, reasonable and
18 equitable.

19 When they were here a year ago, Mr. Catanach, you
20 rejected their interpretation of the vertical interval.
21 The horizontal extent of this pool is now the issue. And
22 before you tell us we can't produce the depth bracket
23 allowable set by the State in this pool, we think we have a
24 right to have Gillespie-Crow come in and confirm how it is
25 that they interpreted a zero-net-pay line that conveniently

1 made right-angle turns in the corners of his unit,
2 corresponding to the corners of the sections that he owned.

3 They said this was the boundary, that they could
4 operate this as a unit. And now they want to tell us, to
5 the north, the northeast and the east, what we can do.

6 Before you take our right to operate our
7 properties away, they have to come in and they have to
8 explain this line.

9 And if you'll go back to the order that you
10 entered in that case, you noted that this interpretation
11 was based on 3-D seismic but they did not show it. And
12 before they come in and expand it and use that as a vehicle
13 to control what we do with our property under your rules,
14 they've got to show that 3-D seismic. We have a right to
15 see it and a right to question it.

16 And that's not the issue before you here today.
17 That's the next round. But it is relevant here today
18 because we are entitled to that kind of a review before you
19 tell us we can't operate our property under the Rules.

20 Now, there are very specific provisions in the
21 Statutory Unitization Act governing expansion of the unit.
22 And perhaps they drew it a little tight when they put this
23 together. I don't formulate units, as you know. But my
24 experience is that when you put together a unit, you
25 generally allow some sort of a buffer to be sure you're

1 right. There's none here.

2 Now, what happened is, Gillespie himself came
3 right outside his unit and proved his interpretation wrong.
4 But this is what they got the State to force together under
5 the Act, and now they have to live with that. Maybe
6 they've set a trap for themselves. But the fact is, next
7 round we look at this unit treated as one tract, we treat
8 Hanley as a tract, we treat David Petroleum as a tract, we
9 treat the property with the Yates interests in it as a
10 tract.

11 And you will have to find that inclusion of these
12 properties in this unit will be fair to these people. And
13 if, as appears, the interests in, say, the east half of 34
14 under the unit plan only get one-fifth of what they get on
15 stand-alone development, you can't tell us we can't produce
16 that until they come in and show us that inclusion is
17 necessary and one-fifth of what we can get on a stand-alone
18 basis is fair. And that's what we have to come in with
19 later.

20 But today the question is, are they trying to
21 circumvent this statute? And we say clearly they are.

22 Look at the Application itself, Mr. Catanach.
23 What acreage do they want to extend this control to? Well,
24 they say certain adjoining acreage. How can we come in and
25 defend when we don't know whether we are in their divine

1 scheme or not? What's to be restricted? Oil? All fluids?
2 The wells north make tremendous volumes of water. Before
3 we can defend, we need to know that.

4 Will what they propose work? Well, how am I
5 going to know, if I'm operating an offsetting well, what
6 allowable limit Mr. Gillespie has set for me now? I guess
7 we have to call and find out. But unfortunately that is
8 not his role, that's yours, and you can't pass it to him.

9 And when I say it's not just about allowable
10 limits, what they're asking is really authority to control
11 operations in the pool, because David Petroleum doesn't
12 know what they can do offsetting this unit to the
13 northeast, although they've planned two wells, because
14 under what Mr. Gillespie is proposing we don't know how
15 much we can produce. We don't know what the economics are
16 going to be for future development.

17 And the only way we will know is to, one, define
18 who's going to operate the property and then know what the
19 allowable limits are. And you can't just say, limit
20 everybody else to what I want, what I decide is best for
21 the pool, because that's not the Gillespie function.

22 I submit to you, Mr. Catanach, that the
23 opposition from other owners to a plan to expand the unit
24 is not justification for avoiding the statutory procedures
25 that are available to expand this unit.

1 I submit to you that if this Division is to
2 continue to regulate this pool, this Application has got to
3 be dismissed, that Mr. Gillespie and Mr. Crow have got to
4 be told to go back, to do it right, to do it in a way that
5 is consistent with statute, that is consistent with rule,
6 and do it in a way that's going to protect the rights of
7 other interest owners in this field.

8 Because if you don't dismiss it and tell them to
9 go back, I submit you are abandoning your statutory duties,
10 I submit that you are turning this pool over to the
11 unfettered whim of Gillespie-Crow. You're not requiring
12 them to expand the unit, but you are in essence doing just
13 that.

14 And then I could say to you, Once pooled, shame
15 on them; twice pooled, shame on us.

16 EXAMINER CATANACH: Mr. Bruce?

17 MR. BRUCE: Mr. Examiner I've got a short
18 response and a long response.

19 My short response is, this Application was filed
20 to prevent waste and protect correlative rights. It's as
21 simple as that. We're not here today asking you to abandon
22 your rights and duties; we're here today asking the
23 Division to exercise its rights and duties to prevent
24 waste.

25 Mr. Examiner, I think you've had two or three

1 hearings regarding this pool -- well, actually involving --
2 there have been two hearings on the pool rules, there have
3 been the unitization hearing, there's been the positive-
4 production-response hearing. And I know you know some of
5 these background facts, but I think I need to mention some
6 of them again.

7 The West Lovington-Strawn Pool was discovered in
8 1992 by Charles Gillespie. Since then, 17 wells have been
9 drilled within the pool, the entire pool.

10 But we're not here today to discuss the entire
11 pool. We're here today to discuss the specific reservoir,
12 the specific Strawn porosity pod included within the West
13 Lovington-Strawn unit.

14 As you know, these Strawn oil reservoirs are
15 usually discrete, limited reservoirs, which usually contain
16 one, two, three, maybe four wells. And a number of these
17 discrete porosity pods might be contained within the
18 boundaries of a single Strawn pool.

19 That's the case in this West Lovington-Strawn
20 Pool. We have the large Strawn porosity pod included
21 within the unit. To the west there are some other wells
22 that are in a different porosity pod, and we're not seeking
23 to affect those today. And there might be other porosity
24 pods out there; we don't know.

25 During the period from mid-1992 to early 1995,

1 eleven producing wells were drilled within this particular
2 reservoir that Mr. Carr has shown up on this map. These
3 are the wells that are in the West Lovington-Strawn unit.
4 This is the largest Strawn reservoir in the state, with the
5 possible exception of the Lusk-Strawn Pool, which is also a
6 large pod.

7 In 1994, Gillespie-Crow started unitization
8 discussions with interest owners, which culminated in the
9 unitization of this pool in October, 1995. I'd point out
10 that unitization took well over a year, even though all
11 working interest owners and about 90 percent of royalty
12 interest owners agreed to unitization. It took that long,
13 even though people were pretty darn well in agreement
14 regarding unitization. Even Snyder Ranches, which came to
15 hearing to oppose the case, was really seeking to increase
16 its participation, which it did. And unitization has
17 benefitted Snyder Ranches.

18 Now, at the time of unitization, yes, Gillespie-
19 Crow thought it had included the entire reservoir in the
20 unit. It wished it had. Subsequent drilling proved that
21 to be wrong.

22 However, I would point out that first there's
23 nothing wrong with unitizing only a portion of a reservoir.
24 The Statutory Unitization Act specifically provides for
25 that.

1 Second, the evidence presented in Case 11,531,
2 the positive-production-response case, proved that
3 unitization has prevented reservoir damage and allowed
4 additional oil to be recovered from this pool. That's
5 critical. And I think these facts are necessary background
6 to why Gillespie-Crow filed this Application.

7 In late 1995, after unitization, Gillespie-Crow
8 drilled the State "S" Well Number 1. It's in the west
9 half, southeast quarter, of Section 34. I'll get up in a
10 while and use this map to point out where some of these
11 wells are located.

12 This immediately adjoins the unit, and this well
13 is definitely in pressure communication with all wells in
14 the West Lovington-Strawn unit. I have a handout here in a
15 minute I'll give to you. It is capable of top allowable
16 production.

17 In early 1996, Hanley Petroleum, one of the
18 Movants today, drilled its Chandler Number 1 well. This
19 well is also completed in the same reservoir as the West
20 Lovington-Strawn unit. It's only 330 feet north of the
21 unit's boundary.

22 Based on these completions, Gillespie-Crow has
23 started discussions with the working interest owners to add
24 additional acreage to the unit. To date, these
25 negotiations have not been successful, to say the least.

1 Yates and the others have vociferously objected
2 to unitization, and because of these disputes, it could be
3 a year or more before the unit is expanded.

4 Now, Mr. Carr said certain people have been
5 invited. Well, Hanley was not initially invited to these
6 discussions. At the time these discussions were initiated,
7 the Hanley well was a tight hole. It had no information.
8 Since that time, the logs have come out. We believe these
9 show the Hanley well to be in this reservoir, and Hanley
10 will be invited to the next meeting.

11 But as a result of the time involved in
12 unitization, especially when you have these squabbling
13 parties, it is critical that the unit reservoir be
14 protected from damage pending unitization, and that is why
15 this Application was filed.

16 Now, let's go to the matters in the motion. I
17 believe there are some incorrect allegations in the motion
18 which I will address shortly, but I will address the main
19 issue.

20 That is the assertion that the Application should
21 be dismissed because Gillespie-Crow's sole remedy, sole
22 remedy, is to expand the unit under the Statutory
23 Unitization Act.

24 Nothing could be further from the truth.

25 First, we all know the OCD's charge is to prevent

1 waste and protect correlative rights, and both of those
2 principles are involved in this Application.

3 I know I'm not a witness, Mr. Examiner, but I
4 think we have to get into some of these facts. What I've
5 handed out is bottomhole pressure history of the State "S"
6 Well Number 1. When it was completed in September, 1995 --
7 I'm not going to go through this whole thing, but it had a
8 bottomhole pressure of 3286 p.s.i.

9 A month ago its bottomhole pressure is 3295
10 p.s.i. The pressure has increased, even though it's
11 produced almost 60,000 barrels of oil. How does that
12 happen if it's not in pressure communication with the West
13 Lovington-Strawn reservoir? It is receiving pressure
14 support from the gas-injection pressure-maintenance project
15 for this unit.

16 Well, what's the effect of this? Well, number
17 one, certainly, the interest owners in the State "S" Well
18 Number 1 are benefitting from pressure maintenance without
19 paying any of the unit costs. Well, big deal, you can say.
20 And that's probably the minor part of this issue. But --
21 And also, the Hanley well is benefitting from pressure
22 maintenance.

23 But because of this, because they are benefitting
24 and because the unit wells are only producing less than 200
25 barrels a day, we think it's only fair and in the interests

1 of correlative rights to produce the State "S" Well Number
2 1 at the same rate as the unit wells. Why? to prevent
3 waste.

4 Testimony in Case 11,531 showed that this
5 reservoir had undergone rapid pressure decline before
6 unitization, from an initial reservoir pressure of about
7 4400 p.s.i. down to -- I think at the time of unitization,
8 it was down around 3000, 3100 p.s.i.

9 As a result of this pressure decline, Gillespie-
10 Crow had restricted production in all wells for the year
11 and a half prior to unitization to 100 barrels of oil per
12 day. After injection began, production was increased,
13 first to 175 barrels a day, and then up to about 200
14 barrels a day when this last case was heard.

15 During this process, Gillespie-Crow has been
16 attempting to learn the maximum amount of oil which can be
17 removed from the reservoir each day and be able to replace
18 that volume, the volume of the oil removed, with injected
19 gas to maintain a pressure which is sufficient to keep the
20 oil production up without channeling or coning of gas into
21 the producing wellbores.

22 If large amounts of gas have to be injected and
23 if the wells start to cone, the producing wells will gas
24 out and large amounts of oil will be left in the ground.
25 That is waste, and that is what the Division should

1 prevent.

2 Well, what is the effect of these new wells?

3 First, Mr. Examiner, for each barrel of oil produced, about
4 2 MCF of gas must be injected. So for a top-allowable well
5 like the State "S" Number 1, that's about 900 MCF per day.
6 For each barrel of water produced, about another MCF of gas
7 has to be injected.

8 The State "S" well produces about 445 barrels a
9 day. Reportedly Hanley's Chandler Number 1 produces 125
10 barrels of oil per day and about 300 barrels of water per
11 day.

12 The result is that if these wells are allowed to
13 produce at their capacity, Gillespie-Crow has to inject
14 another million and a half cubic feet of gas per day into
15 that unit's injection well in order to maintain pressures
16 and prevent harm to the reservoir. Of course, Yates
17 doesn't care, they're not paying for that.

18 There's another factor besides unregulated
19 withdrawals which may cause coning, may cause waste.
20 Gillespie-Crow has a compressor out there which cannot
21 handle any additional volume. Why not get a bigger one?
22 Well, first of all, it takes time. You can't just put a
23 compressor on there anymore like you used to. You've got
24 to go out there and get environmental permits for
25 emissions. That takes months to get those permits from the

1 New Mexico Environment Department.

2 What if additional wells are drilled? Then
3 you've got to get a bigger compressor. What if there are
4 unregulated withdrawals? This causes a problem. It will
5 cause waste. It could cause premature gassing-out of
6 producing wells in this reservoir.

7 As it is, the unit wells, which as of the last
8 hearing were producing approximately 200 barrels of oil per
9 day each, have had their production cut back at this time
10 so that production from the State "S" Number 1 and the
11 Chandler Number 1 will not adversely affect reservoir
12 performance. So it has had a direct effect on the
13 correlative rights of the interest owners in the West
14 Lovington-Strawn unit.

15 The conclusion is simply this: If production is
16 not restricted, the reservoir may be harmed, causing waste,
17 and furthermore the correlative rights of the unit owners
18 are being adversely affected.

19 Mr. Carr made comment that these unit boundaries
20 were formed just to benefit Gillespie-Crow. As you know
21 from the hearings, the two main working interest owners in
22 this unit are Gillespie-Crow and Enserch.

23 Well, Gillespie-Crow itself, Charles Gillespie
24 individually and Enserch own approximately 50 percent of
25 the working interest in the immediately offsetting acreage

1 to the west, and to the east they own anywhere from 50 to
2 100 percent of the working interest. They too are affected
3 by this proposed allowable restriction. They have more to
4 lose than anyone. But this Application is necessary to
5 prevent reservoir damage until the unit can be expanded.

6 Next, is this Application permissible under OCD
7 rules? Yes. Rule 505 allows the OCD to increase or reduce
8 the allowable in a pool. This Application is squarely
9 within the requirements of that rule. Rule 505 does not
10 state it does not apply where a unitization is being
11 considered. It can be applied at any time. And we think
12 the OCD can and should apply this rule whenever necessary,
13 as in this case, to prevent waste.

14 Is this Application authorized by the Division's
15 general authority to prevent waste? Yes, and you need go
16 no further than the Santa Fe Exploration case, which Mr.
17 Carr conveniently ignores. The Santa Fe Exploration case
18 reduced allowables in a small discrete pool, pending
19 unitization by the parties.

20 Yes, this case involved -- the Santa Fe
21 Exploration case involved voluntary unitization. But we
22 think that distinction is meaningless. Production was
23 restricted in that pool, pending unitization, to prevent
24 injury to neighboring properties and to ensure that each
25 operator only use his fair share of reservoir energy.

1 That's exactly what Gillespie-Crow is asking the Division
2 to do in this case, to restrict production, to prevent harm
3 to the reservoir and to prevent injury to neighboring
4 properties.

5 There's a few final issues to address. I think
6 these are more properly for the hearing, but since Mr. Carr
7 brought them up...

8 How many wells will be affected by this
9 Application? At this time, one, the State "S" Well Number
10 1. What Gillespie-Crow seeks is a restriction on oil
11 production from wells adjoining the unit which are
12 completed in the same reservoir. The Hanley well is
13 unaffected because it's producing only 125 barrels of oil
14 per day, which is less than the unit's allowable.

15 Will the State "S" Number 1 be affected? I
16 suppose to a certain extent it will. But Gillespie-Crow
17 and Enserch -- I forget the exact percentage, but they own
18 roughly half of the working interest in that well. When
19 there was a title dispute, they thought they owned about 80
20 percent of the working interest in that well, and that came
21 -- that was just recently resolved in that well.

22 But let me give you some background on that well.
23 It was not -- it has not always been -- It has not always
24 had its production restricted. It was produced for several
25 months at top allowable. Starting in early 1996, its

1 production was restricted due to the title issues I just
2 mentioned. More recently, its production has been
3 increased back up to the top allowable because of protests
4 by Yates and other of Mr. Carr's clients.

5 As I noted, this is at the expense of the
6 interest owners in the unit, because those wells have had
7 their production decreased concomitantly to prevent
8 reservoir damage.

9 I'd point out that this well paid out some time
10 ago, and even under the Application as it was envisioned at
11 the time, it would still produce about 200 barrels of oil
12 per day, and that's pretty good production, especially when
13 you don't have to pay the unit costs.

14 What acreage is affected? Let me give you some
15 idea. Once again, we think this is something for hearing.
16 I'd first start off by saying, you remember Mr. Kellahin
17 here with Mr. Squires, geologist. Yes, you accepted their
18 geology.

19 But if you'll go back and look at their map,
20 their unit outline wasn't any different than Gillespie-
21 Crow's. There's some differences in the thicknesses over
22 on the east side of the unit. There's a few other things.
23 There is an oil-water contact which Snyder Ranches agreed
24 was at the north edge of the unit. That will mean that
25 much of this acreage to the north and northeast will

1 probably be unaffected.

2 What Gillespie-Crow envisions at this time is
3 about a 40-acre ring surrounding the unit that may be
4 affected. The reason I say "may be affected" is, look, the
5 Amerind West State Number 1, a dryhole right here, the unit
6 will not be expanded in that area. Over here we've got the
7 Bridge Julia Culp Number 2, a dryhole. That's how the unit
8 can be expanded in that direction. To the north you've got
9 the oil-water contact. We don't know but -- This is the
10 unit for the Hanley well. It's probably the only -- It was
11 drilled right over here, 330 feet off the line. It will
12 probably be the only unit affected in that direction.

13 What about down here? Well, we could add acreage
14 to the south. This acreage right here is 100-percent
15 Charles Gillespie. They could have included it the first
16 go-around; they didn't. Over here, 100-percent Charles
17 Gillespie. This tract right here, Lot 6, Section 6,
18 Gillespie owned that 100 percent, and they let that lease
19 expire less than three weeks ago, because they didn't want
20 to drill on it. It's now owned by Snyder ranches.

21 We think that the effect of this Application is
22 very limited, because we thought we had the reservoir
23 adequately the first time. We were wrong, but we didn't
24 think we did bad, considering that this reef is less than
25 50 feet thick and we're dealing with 11,500 feet under the

1 ground. Those things happen, and that's why the Statutory
2 Unitization Act does allow for expansion of units.

3 I would reiterate that the unit boundaries were
4 not drawn to include only Gillespie-Crow and Enserch
5 acreage. As I said, they own most of the adjoining
6 acreage. It doesn't hurt them to add it in.

7 Finally, what rate will the operators know to
8 produce? Well, I think another issue to be decided at
9 hearing and put on evidence at hearing. But we think this
10 is a non-issue. I suppose the Division could set a maximum
11 rate, or it could say the rate of the production from the
12 unit.

13 Is this difficult to administer? No, there's
14 only two operators in this reservoir, Gillespie-Crow and
15 Hanley. This is not hard to administer. They could give a
16 monthly notice. Chances are, because of the acreage
17 position of Enserch and Gillespie-Crow in this area, the
18 only other operators who could be affected are probably
19 going to be Gillespie-Crow.

20 I didn't want to address these factual issues,
21 but Yates seems to want Gillespie-Crow to present all its
22 evidence with the Application. That's not how it's done,
23 but I thought I had to address some of these issues to show
24 that this is not a difficult case.

25 Clearly, the Division has the authority to grant

1 this Application. This Application is necessary to prevent
2 breakthrough of gas in this reservoir which would lead to a
3 reduction in recovered oil, thereby causing waste. It is
4 also necessary to protect the correlative rights of the
5 unit owners.

6 Moreover, the Division not only has the authority
7 to hear this case, we believe it has the duty to hear this
8 case, to make a determination on the waste issue.
9 Dismissing the case on this motion will be an abdication of
10 the Division's responsibility to prevent waste in this
11 pool. As a result, Gillespie-Crow requests that this
12 motion be denied and this case be set for the next Examiner
13 hearing.

14 One final thing, Mr. Examiner, before I turn it
15 back to Mr. Carr for his response. Phillips Petroleum
16 Company, which is a working interest owner in the West
17 Lovington-Strawn unit, submitted this letter stating that
18 it supports Gillespie-Crow, Inc., in this Application, and
19 I would just submit that for the record.

20 Thank you.

21 MR. CARR: Mr. Catanach, may I respond?

22 EXAMINER CATANACH: Yes.

23 MR. CARR: I would note that Phillips and Enserch
24 have interests within the unit, and obviously they would
25 like to restrict others who they have -- are concerned

1 about maybe perhaps interfering with unit operations.

2 I would note that when yo don't have a defense to
3 a motion to dismiss, you don't argue the issue; you argue
4 something else. And that's what's happened here today.

5 The issue before you in this motion is not all of
6 the waste, correlative-rights issues that Mr. Bruce has
7 been wallowing in. The issue is, can you as an agency take
8 away our operating rights and give them to Gillespie-Crow?
9 That's the issue. We're talking about property rights,
10 we're talking about whether or not they are properly before
11 this agency, simply saying, restrict them to what we decide
12 we want to produce. And so of course they go and say, you
13 have general authority to prevent waste, to protect
14 correlative rights.

15 But let me tell you something. You look at the
16 Oil and Gas Act, you look at the statutes which empowered
17 you to act, and you're going to find two places, only two,
18 where you may take my property right away and give it to
19 Mr. Bruce. One is compulsory pooling, one is statutory
20 unitization, and they have very specific requirements, the
21 first of which, in both cases, is that you give the other
22 party notice and you try and work out a voluntary
23 agreement. By Mr. Bruce's admission, that didn't occur
24 here. I'm going to come back to that.

25 But in both of those situations there are very

1 specific requirements, and look at the Statutory
2 Unitization Act. It says to prevent waste, to protect
3 correlative rights, you may do what needs to be done, but
4 you must first do what we require in this Act. You must
5 find it is just, fair and reasonable to extend. You must
6 find that it is fair to everyone outside. And you must
7 fully vest operations in someone else.

8 This is a back-door way, and it is a result of
9 the fact that when they decided they were wrong, a year
10 ago, that instead of doing it right, they just decided,
11 well, we'll try and go in and just under the banner of
12 general authority correct this.

13 But you can't do that, you can't take our rights
14 away without following the law, and that's what they're
15 asking you to do. You may do more, but you simply cannot
16 do less.

17 Whether or not there's pressure communication to
18 the north and whether or not it extends only 40 -- Mr.
19 Bruce tells us that, but the Application does not. And
20 yes, those are things that are reserved for the next
21 hearing.

22 The question here is procedural. Do you follow
23 the rules, do you follow the statutes? Or do you just come
24 in and say, Yes, OCD, you can just do just about anything?
25 And you stand up and you say, It's been proven, look at the

1 Santa Fe Exploration case; Mr. Carr conveniently overlooked
2 that. And yet that was a voluntary unit, this is
3 statutory. But that is a distinction that is meaningless
4 to Mr. Bruce.

5 Well, I'll tell you why it's not meaningless,
6 because with a statutory unit you take my right away, and
7 in a voluntary unit I agree to let him operate. That is as
8 fundamental a difference as comes before you in any
9 situation, and it renders the Santa Fe Exploration case of
10 no value in this proceeding.

11 And to go run after that is about as silly as to
12 say you can prevent waste generally, but forget the Act
13 that sets the requirements you must meet before you can
14 take my property away.

15 They have great plans, limited effect, and if
16 they do, and if that's right, then the statutes say, You
17 come to the people I represent first and try and work it
18 out before you come marching in here.

19 And then say, Oh, yes, well, Rule 505 says the
20 OCD may increase or reduce allowables in a pool. You know,
21 that's right, and if you were here today and we were
22 looking at a change in the depth bracket allowable for the
23 pool and we were asking the OCD to set the allowable, we'd
24 agree to that, we'd come and we'd argue the case.

25 But they're not asking that. They're saying,

1 Forget your depth bracket allowable; I, Charlie Gillespie,
2 will set the allowable limit. And Mr. Catanach, that's
3 wrong. You can't do that. You can't do that, you can't
4 take our property away without following the statute. And
5 to come in here and run around under the general power to
6 prevent waste and ignore the statutes which create this
7 agency and empower you to act leads you into terrible
8 error.

9 This Application must be dismissed, they must be
10 told to go back to Midland and follow the law and do it
11 right.

12 EXAMINER CATANACH: Did you want to respond, Mr.
13 Bruce?

14 MR. BRUCE: No.

15 EXAMINER CATANACH: Mr. Hall, any statement?

16 MR. HALL: No.

17 EXAMINER CATANACH: Mr. Kellahin, any statement?

18 MR. KELLAHIN: No, sir.

19 EXAMINER CATANACH: Let's take five minutes, ten
20 minutes, and we'll come back with a ruling on it.

21 MR. CARROLL: I have some questions.

22 EXAMINER CATANACH: I guess we have some
23 questions, gentlemen, if you want to...

24 MR. CARROLL: Mr. Bruce, what is the status of
25 the attempts to obtain voluntary unitization of this

1 adjoining acreage?

2 MR. BRUCE: They've held -- I forget, two or
3 three working interest owners' meetings.

4 MR. CARROLL: And then the response?

5 MR. BRUCE: Yates -- None of them want to be
6 unitized.

7 MR. CARROLL: None?

8 MR. BRUCE: None. And they're calling another
9 meeting, I was just informed today, in a few weeks or a
10 couple weeks.

11 MR. CARROLL: And is it Gillespie-Crow's intent
12 to seek statutory unitization?

13 MR. BRUCE: Yes, it is.

14 MR. CARROLL: If you obtain what you're seeking
15 for in this Application, limiting the adjoining wells'
16 production, what incentive would you have, then, to seek
17 statutory unitization?

18 MR. BRUCE: We think there might be some
19 additional acreage that needs to be added, rather than
20 fighting this on a well-by-well basis, you know. I mean,
21 they're committed to seeking unitization. They just -- but
22 -- I mean, you could make that part of the order, that
23 they're required to go forward with it.

24 But they need time to discuss these matters. I
25 mean, like I said, nobody has agreed to it. The data I've

1 given you shows they're in pressure communication, but they
2 still don't want to be unitized. It takes a long time to
3 do this.

4 MR. CARROLL: So when can the Division anticipate
5 the filing of an application for statutory unitization?

6 MR. BRUCE: Well, I can't give you that right
7 now, but if necessary you can put a time limit on this
8 production restriction to make them come forward.

9 But what they have been doing is trying to meet
10 to come to terms with these people, rather than face what
11 we did the last go-around, when Mr. Squires objected. And
12 I think that's required by the Act, to make a good-faith
13 effort to voluntarily unitize before you statutorily
14 unitize.

15 You also have to -- This is state acreage
16 involved. We'll have to go back to the State Land Office,
17 seek their approval. There is federal acreage in this
18 unit. Well, no, I don't think there will be any additional
19 federal acreage. But for an expanded unit, since there is
20 federal acreage in the existing unit, we'll have to go back
21 to that.

22 The intent is not to get this and abandon
23 unitization. The intent here is to prevent excessive
24 withdrawals of reservoir energy, pending their discussions
25 with the parties on unitization.

1 MR. CARROLL: And what wells again were -- what
2 wells do you hope to restrict the production on?

3 MR. BRUCE: I don't know which quarter section
4 it's in. The State "S" Number 1 in the west half,
5 southeast quarter of Section 34 is the only well at this
6 time.

7 This well, the Hanley well in the -- Section 28
8 to the north, would not be restricted.

9 MR. CARROLL: Would not?

10 MR. BRUCE: Would not. But they do -- But since
11 that is a -- since they've just recently gotten the log
12 data from that well, they do plan on seeking the
13 unitization of that acreage also, since it is within the
14 unit. I mean, since it is within the unit's reservoir.

15 MR. CARROLL: The State "S" is operated by
16 Gillespie-Crow?

17 MR. BRUCE: Gillespie-Crow.

18 EXAMINER CATANACH: Gillespie-Crow operates the
19 State "S" Well Number 1?

20 MR. BRUCE: Yes, they do.

21 EXAMINER CATANACH: But you're producing at top
22 allowable rates?

23 MR. BRUCE: They informed me that late last month
24 they increased it back up to its top allowable rate, as an
25 accommodation to Yates and the others.

1 EXAMINER CATANACH: Pursuant to any operating
2 agreement in place for that well, you can't voluntarily
3 restrict -- you can't, as operator, restrict production
4 from the well?

5 MR. BRUCE: They are operator of the well
6 pursuant to an operating agreement, but they did restrict
7 production, and everyone else squawked, so they increased
8 it.

9 MR. CARROLL: How many acres are in the unit and
10 how many acres are in the pool?

11 MR. BRUCE: My memory is not that good. I
12 includes --

13 MR. KELLAHIN: Let me see if I've got it here.

14 MR. BRUCE: It's about 1400 or 1500 acres in
15 the -- 1458.95 acres in the unit. The pool does not
16 correspond to the unit. The pool extends further to the
17 west because of some wells drilled out there, both by
18 Gillespie and by Amerind.

19 MR. CARROLL: To the west?

20 MR. BRUCE: To the west. And there's another
21 well -- It's a separate porosity pod, and we don't seek to
22 affect that. I think there's also a well being drilled in
23 that same separate porosity pod now by Nearburg.

24 MR. CARROLL: So what we're looking at is the
25 eastern -- northeastern extent of the pool?

1 MR. BRUCE: Yeah, I forgot to bring -- I could
2 have drawn it on there, but -- You have a magic marker?
3 The pool extends this way and it comes down this way,
4 something like that.

5 EXAMINER CATANACH: Okay.

6 MR. BRUCE: And there are wells -- Gillespie has
7 a well over here, Amerind -- I forget exactly where, but
8 Amerind has a couple of wells. And Nearburg has a well
9 permit, and I think they're drilling it right down there.

10 MR. CARROLL: That's all I have.

11 EXAMINER CATANACH: Mr. Bruce, the interest
12 owners within the existing unit, are they in favor of
13 expanding the unit?

14 MR. BRUCE: I believe the main interest --
15 working interest owners that we haven't approached, the --
16 like I said, the State of New Mexico, the State Land Office
17 or the BLM, who are the two primary royalty owners, I think
18 Snyder Ranches is aware of it, I think the State Land
19 Office is aware of it, but the working interest owners in
20 the unit, Enserch and Phillips and Gillespie, who together
21 are about 97 percent of the working interest, are in favor
22 of it.

23 EXAMINER CATANACH: So do you feel like you have
24 enough of the interest owners in agreement to initiate
25 statutory unitization proceedings? You have enough of the

1 75 percent of the cost-bearing interests committed at this
2 point to where you could go ahead with the Application?

3 MR. BRUCE: I can't say that for sure, Mr.
4 Examiner. Probably, but I can't say that for sure.

5 EXAMINER CATANACH: What you're waiting on is,
6 then, to conduct further negotiations to try and work out
7 voluntary settlements?

8 MR. BRUCE: Agree on participation factors.

9 EXAMINER CATANACH: This one porosity pod we're
10 talking about, that's basically a pool by itself, I mean --

11 MR. BRUCE: Yes.

12 EXAMINER CATANACH: -- the other two porosity
13 pods, they're not in pressure communication --

14 MR. BRUCE: They are not.

15 EXAMINER CATANACH: -- with this pool?

16 MR. BRUCE: They are not in pressure
17 communication.

18 EXAMINER CATANACH: So basically what we're
19 talking about here is actually a pool restricting the
20 allowable within this one particular pod --

21 MR. BRUCE: Within that one.

22 EXAMINER CATANACH: -- which could be considered
23 a pool --

24 MR. BRUCE: Yes.

25 EXAMINER CATANACH: -- if things were a little

1 different?

2 MR. BRUCE: We notified everyone within a mile of
3 the -- We notified a bunch of people just because we were
4 uncertain of the notice requirements. We notified the
5 working interest owners in the unit, every one -- every
6 interest owner in the State "S" Well Number 1 and all
7 operators or lessees within a mile of the pool.

8 EXAMINER CATANACH: Do you know why your
9 Application maybe wasn't styled differently to where you
10 did look at the depth bracket allowable for the pool? Was
11 there a reason that it wasn't styled like that?

12 MR. BRUCE: No. Partly it was my question -- I
13 mean, I consider this a pool in and of itself, but there
14 was no particular reason. Maybe inartful wording. But I
15 didn't want to give the impression that I was seeking to
16 restrict production from those Amerind and Nearburg wells
17 to the west.

18 MR. CARR: Mr. Catanach, could I respond to just
19 a couple of things that came up during that question?

20 I recognize the concern about the posture of the
21 case. And as I said at the beginning, our concern is not
22 with what needs to be done, but the procedures that are
23 being followed to achieve those ends.

24 And I would note that in regard to the fact that
25 there have been meetings to try to come to terms with other

1 operators in the pool, the Hanley tract which Mr. Bruce has
2 drawn on the operator, that's never even been contacted or
3 brought into these meetings. And time is a problem. But
4 if we look at the information provided by Mr. Bruce on the
5 State "S" Number 1, they've known since 9-24-95 when they
6 got a bottomhole pressure test on their well over here that
7 they had the problem.

8 Now my corners are as round as -- they're about
9 like his contour map.

10 But in any event, the problem is that they've had
11 eleven months to get this thing going. And they say only
12 one well is affected, but David Petroleum Corporation
13 really has plans to hopefully this year drill offsetting
14 the unit to the northeast, and they don't know what to do
15 because they won't really be able to rely on your rules, or
16 really anything else, in terms of what their plans are.

17 The Application remains vague. Mr. Bruce didn't
18 want to make Nearburg or Amerind think that they were being
19 involved, but Nearburg certainly was concerned, because
20 that's how it's styled.

21 And the fact of the matter is, there is a way to
22 address this, and it's set by statute, and that's the
23 Statutory Unitization Act. And they need to get on with
24 that, and then we'll discuss all these engineering and
25 technical issues. But, to just come in with an Application

1 where they give notice to everybody within a mile, that
2 maybe only want to affect an offsetting ring of 40s, the
3 Application is vague, the procedure is wrong, and it must
4 be dismissed.

5 MR. BRUCE: Mr. Examiner, you know, we could
6 reapply, restyle the Application, seek to have this
7 particular porosity pod identified as the West Lovington-
8 Strawn Pool, and all those other porosity pods out there
9 identified or re-identified as separate pools, and then
10 seek a poolwide allowable reduction.

11 I think that's form over substance. We'd still
12 be asking for the same thing. We'd come in, identify that
13 pool, identify that porosity pod, and ask for everything
14 within a mile that's not in a separate porosity pod, to
15 have an allowable reduced to and let the Commission -- let
16 the Division set the allowable, 200 barrels a day, 150
17 barrels a day, 250 barrels a day. That's what we're asking
18 for now.

19 MR. CARR: We don't think it's form over
20 substance to have you set a fixed allowable. That's
21 different in our judgment than having a competing
22 offsetting operator tell us how much we can produce and
23 change it month by month at his whim. We don't think
24 that's form over substance.

25 EXAMINER CATANACH: All right, let's take a break

1 and we'll...

2 (Thereupon, a recess was taken at 11:06 a.m.)

3 (The following proceedings had at 11:16 a.m.)

4 EXAMINER CATANACH: Gentlemen, we think that the
5 issues in this case need to be heard, the Division needs to
6 consider the waste issues and the correlative-rights issues
7 that are at issue right now.

8 We're a little concerned with the way the case is
9 styled. We're not sure that the way that it's styled would
10 satisfy some procedural concerns. We would possibly -- We
11 would suggest maybe amending the current Application to
12 include some things that aren't in the current
13 advertisement, such as maybe the creation of a new pool for
14 this unit only, and then the -- taking a look at -- taking
15 a look at the new pool rules, including spacing and
16 allowables for the pool.

17 That's just a suggestion, if somehow we could
18 improve the procedural aspects of the case.

19 But in essence, we do agree that we would like to
20 hear the case and, you know, address some of the
21 correlative-rights and waste issues.

22 So I would therefore deny Mr. Carr's Motion to
23 Dismiss the Application at this time. But again, I would
24 recommend that the case may be re-advertised in a different
25 fashion, and maybe --

1 MR. BRUCE: Mr. Examiner, let me amend the
2 Application and continue the case until it's amended and
3 new notice is given.

4 EXAMINER CATANACH: Do you think maybe four weeks
5 would satisfy that, Mr. Bruce?

6 MR. BRUCE: (Nods)

7 EXAMINER CATANACH: We could get it readvertised
8 and renoticed and do some of the things that maybe weren't
9 done?

10 MR. BRUCE: Yes.

11 EXAMINER CATANACH: Okay, then we'll go ahead and
12 continue this case, Case 11,599, to the September 19th
13 docket.

14 MR. CARR: We will be filing a subpoena, that we
15 may need to discuss on the 19th, just so they know.

16 EXAMINER CATANACH: Okay. I believe that's all
17 we have on this docket, therefore this docket is
18 dismissed -- or adjourned.

19 (Thereupon, these proceedings were concluded at
20 11:21 a.m.)

21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
the Examiner hearing of Case No. 11599,
heard by me on August 20 1996.

23 David K. Catanch, Examiner
24 Of Conservation Division
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 August 26th, 1996.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998