

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. 11,754

APPLICATION OF AMERIND OIL COMPANY,)
 LTD., FOR COMPULSORY POOLING, LEA)
 COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 3rd, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 3rd, 1997, 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.

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 Examiner Hearing
 CASE NO. 11,754

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A P P E A R A N C E S

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:33 a.m.:

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7 EXAMINER STOGNER: At this time I'll call Case
8 Number 11,754.

9 MR. CARROLL: Application of Amerind Oil Company,
10 Limited, for compulsory pooling, Lea County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

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

15 I have two witnesses to be sworn.

16 EXAMINER STOGNER: Any other appearances?

17 Will the witnesses please stand to be sworn at
18 this time?

19 (Thereupon, the witnesses were sworn.)

20 MR. KELLAHIN: Mr. Examiner, I have two witnesses
21 in this matter.

22 My first witness is Mr. Ralph Lea. Mr. Lea
23 spells his name L-e-a. He's a consulting landman retained
24 by the Applicant to contact the interest owners involved in
25 the spacing unit.

1 RALPH R. LEA, JR.,
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. KELLAHIN:

6 Q. Mr. Lea, for the record, sir, would you please
7 state your name and occupation?

8 A. Ralph R. Lea, Jr., independent landman.

9 Q. Mr. Lea, where do you reside?

10 A. Midland, Texas.

11 Q. What is your relationship with the Applicant,
12 Amerind Oil Company, concerning this case?

13 A. They are a client of mine, and they employed me
14 to take leases from the unleased parties in this matter.

15 Q. If you'll look to what is marked as Amerind
16 Exhibit 1, there is an area outlined on that exhibit in
17 yellow. It purports to represent the north half of the
18 southeast quarter of irregular Section 3. Are you familiar
19 with that tract?

20 A. Yes.

21 Q. Have you -- Have you retained or acquired the
22 drillsite title opinion of an attorney that prepares title
23 opinions to determine the ownership of the working interest
24 owners in the proposed spacing unit?

25 A. Yes, we have.

1 Q. Let me turn your attention to what is marked as
2 Exhibit Number 2 and have you identify and describe Exhibit
3 2.

4 A. It is an original drilling title opinion, dated
5 March 14th, 1997, prepared by the law offices of Turner and
6 Davis.

7 Q. When we look at Exhibit Number 2, we're simply
8 seeing a portion of that title opinion which covers the
9 first four pages and identifies the various owners in the
10 spacing unit; is that not true?

11 A. That's correct.

12 Q. Is this the type of thing that you regularly do
13 as part of your consulting practice?

14 A. Yes.

15 Q. And are you familiar with efforts to try to
16 contact individuals such as this?

17 A. Yes, sir.

18 Q. And this is what you did in this case?

19 A. Yes, sir.

20 MR. KELLAHIN: We tender Mr. Lea as an expert
21 petroleum landman, Mr. Stogner.

22 EXAMINER STOGNER: Mr. Lea, did you -- Are you
23 any kin to any of the Lea family that settled there in
24 southeast New Mexico and which Lea County is named after?

25 THE WITNESS: No, sir.

1 EXAMINER STOGNER: No, okay.

2 THE WITNESS: I'm asked that a lot.

3 EXAMINER STOGNER: I'll bet you are. And you're
4 probably called "Lea" all the time too?

5 THE WITNESS: Yes, sir, that's true too.

6 EXAMINER STOGNER: Okay. Yes, he is so
7 qualified.

8 Q. (By Mr. Kellahin) Approximately how many
9 individuals or entities have interests in the proposed 80-
10 acre spacing unit? Do you have an approximation?

11 A. Approximately 50.

12 Q. As we come before the Examiner today -- well, let
13 me start -- When the Application was filed to ask the
14 Division to issue a compulsory pooling order against those
15 remaining interest owners who had not reached a voluntary
16 agreement, how many individuals did you have at that point?
17 I think they're shown on Exhibit Number 3, Mr. Lea.

18 A. We had five parties that were not leased.

19 Q. All right. Let's turn your attention, then, to
20 Exhibit Number 3, and let's look at the first page of
21 Exhibit 3 and have you summarize your efforts to obtain a
22 commitment on a voluntary basis from this interest owner.
23 Who's the interest owner, and what did you do?

24 A. Elva Moad. We were -- We attempted to locate
25 this individual. From checking some previous title work

1 that I had done in which she owned interest in other tracts
2 in Lea County, I had her listed in Cisco, Texas. I called
3 the phone directory in Cisco, Texas, directory assistance,
4 to see if she still lived there. I could not get an
5 address for her.

6 On February 11th I checked with Elliott and
7 Waldron Abstract Company in Lea County to see the most
8 current address that they might have for her. They
9 informed me that they had a Crosbyton, Texas, address. I
10 contacted the directory assistance in Crosbyton, Texas, was
11 unable to get a current address for her there.

12 On February 14th, 1997, we sent a certified
13 letter offering to lease the acreage and/or allow Mrs. Moad
14 to join as a working interest owner. And on February 20th,
15 1997, the certified letter was returned marked "address not
16 known".

17 Q. As of this morning's hearing, what is the status
18 of her interest? Is it committed in some lease or
19 agreement to participation in the Amerind-proposed well?

20 A. On the basis of the title opinion that we have
21 subsequently obtained, we believe this interest is leased
22 under another party.

23 Q. All right. Let's identify for the Examiner what
24 you're referring to. If you'll turn to the third page of
25 Exhibit Number 2 and start looking down the list of owners,

1 and you get to the fourth name on the list.

2 A. Elova Moad Miller.

3 Q. It's your belief that she is the same individual
4 as Elova Moad shown in your earlier correspondence?

5 A. Yes.

6 Q. Okay. Let's turn to the next interest, Mr.
7 Kenneth Cone. Does page 2 of Exhibit 3 summarize your
8 efforts to obtain a voluntary agreement from Mr. Cone?

9 A. Yes.

10 Q. As of the date of the hearing, do you have a
11 written agreement by Mr. Cone for participation in this
12 spacing unit in some contractual way?

13 A. No, we do not.

14 Q. Is he an individual that you desire to have a
15 force-pooling order issued against?

16 A. Yes, sir, we do.

17 Q. All right, let's turn to the next page. There's
18 an A.L. Cone partnership on page 3 of Exhibit 3. Does this
19 summarize your efforts to obtain a voluntary agreement from
20 this partnership?

21 A. Yes, sir, it does.

22 Q. And as of the date of the hearing this morning,
23 do you have a written agreement from that partnership?

24 A. No, sir, we do not.

25 Q. Finally, the -- Well, not finally, but on page 4

1 of Exhibit 3, Lavena Howard is listed, and it shows that --
2 individually and as an executrix of an estate, plus Joan
3 Garrison and others. As to this interest, does this
4 correctly summarize your efforts to obtain a voluntary
5 agreement from this interest?

6 A. Yes, sir, it does.

7 Q. And again, as of the date of hearing this
8 morning, do you have a voluntary agreement from this
9 interest owner?

10 A. No, sir, we do not.

11 Q. All right, and then the final one on the last
12 page of Exhibit 3, identify and describe this interest for
13 us.

14 A. This is Ameristate Oil and Gas.

15 Q. When you first commenced this process and the
16 Application for hearing was filed, what entity or
17 individual did you believe owned the interest at that time?

18 A. Nearburg Producing.

19 Q. And did you contact Nearburg Producing to
20 determine if they still held this interest?

21 A. Yes, sir, we did.

22 Q. And what were you advised?

23 A. We were advised that it had been assigned to
24 Ameristate Oil and Gas.

25 Q. And who are the principal individuals involved in

1 Ameristate Oil and Gas?

2 A. Mark Nearburg is the one that I'm familiar with.

3 Q. And did you contact Ameristate Oil and Gas and
4 attempt to obtain a voluntary agreement from them?

5 A. Yes, we did.

6 Q. And as of the date of the hearing, do you have a
7 signed written agreement, a contractual solution to
8 committing their interest to this spacing unit and this
9 well?

10 A. No, sir, we do not.

11 Q. Okay. Let's turn to the package of written
12 correspondence, then, Exhibit 4. I may not have included
13 all your letters, Mr. Lea, but hopefully I've got the
14 significant letters that you've sent.

15 Let's start with the first page and have you
16 simply turn to each page, summarize briefly what is
17 intended to occur here and describe what you did, to the
18 Examiner.

19 A. Okay. The first letter is dated February 4th.
20 This is a letter to Mr. Kenneth Cone, and it's an offer on
21 my behalf as an authorized agent of Amerind Oil Company of
22 Midland to extend an offer for an oil and gas lease on the
23 captioned acreage. And it was sent as of that date.

24 Q. Okay, and the next letter?

25 A. Okay, the next one is dated February 6th, 1997.

1 This is an offer to Mary Irwinski as a representative of
2 the estate of L.A. Howard, also as a representative of the
3 estate of Rieta Schnaubert, and this letter was mailed
4 February 6th. It's an offer on my part as an authorized
5 agent of Amerind Oil Company to lease the captioned
6 acreage, and it was mailed on that date.

7 Q. Okay, please continue.

8 A. The next letter is dated February 11th, 1997. It
9 is an offer to Mr. Larry Petree as a representative of the
10 A.L. Cone Partnership in Lubbock, Texas. It is an offer to
11 lease the acreage and/or allow them to join as a working
12 interest owner in the drilling of a well in the north half,
13 southeast quarter of Section 3. And it --

14 Q. This correspondence also included Amerind's AFE
15 for the well?

16 A. That is correct.

17 Q. Okay.

18 A. The next letter is dated February 14th. It is a
19 certified letter, mailed to Ms. Mary Irwinski, giving her a
20 final opportunity to participate on a voluntary basis in
21 the referenced well, either by leasing her acreage to us or
22 by joining as a working interest owner, and it does include
23 an AFE from Amerind on the proposed well in the north half,
24 southeast quarter of irregular Section 3.

25 The next letter is a certified letter to Mr.

1 Kenneth Cone. It's dated February 14th, 1997, and it is a
2 final opportunity for Mr. Cone to participate as a working
3 interest owner in the drilling of the Field Number 1 well,
4 north half, southeast quarter of Section 3, and/or to lease
5 his acreage to Amerind under the terms proposed. There's
6 also an AFE included with this.

7 The next letter is a certified letter dated
8 February 14th, 1997, to Mr. Larry Petree. It is also an
9 opportunity offered to Mr. Petree to join on the drilling
10 of the well in the north half, southeast quarter of Section
11 3. There's an AFE included. He's also given the
12 opportunity to lease under the terms proposed to Amerind,
13 and that was mailed on February 14th, 1997.

14 The next letter is a certified letter mailed to
15 Ms. Elva Moad offering her the opportunity to join in the
16 drilling of this well, north half, southeast quarter of
17 Section 3. There's an AFE included. And then she's also
18 given the opportunity to lease, under the terms proposed,
19 her interest.

20 The next letter is dated February 20th, 1997,
21 addressed to Mr. Mark Nearburg, Ameristate Oil and Gas.
22 This confirms that our record search indicates that he owns
23 interest in the acreage. He had two leases, one from Roy
24 Barton, one from Carl A. Schellinger, which made up his
25 interest. I informed him that Amerind was planning to

1 commence a well, north half, southeast quarter of Section 3
2 and that he is given the opportunity to participate as a
3 working interest owner, and/or lease his acreage. And that
4 was mailed February 20th.

5 Q. The February 20th letter corresponds to a
6 telephone conversation you had with Mark Nearburg on the
7 same day, which is summarized as the last page of Exhibit
8 Number 2?

9 A. That is correct.

10 Q. I'm sorry, Exhibit Number 3.

11 So you've talked to Mr. Nearburg?

12 A. Yes, sir.

13 Q. All right, what did he indicate to you?

14 A. He indicated that he had talked to Mr. Leibrock
15 and that he wanted a plat of where the well was going to be
16 drilled, and also he wanted an AFE. And I told him that we
17 would give him a formal offer to lease and that we would
18 provide both the AFE and the plat to him. And we faxed all
19 of this to his office, and then we hard-copy mailed the
20 same instruments to his office.

21 Q. All right. Have you heard back from Mr. Nearburg
22 at this point?

23 A. I've only heard back from one of his partners.
24 I've not heard back from Mr. Nearburg himself.

25 Q. So at this point you've given him all the

1 information he's requested, and he's not yet made a
2 decision to participate on a voluntary basis?

3 A. That is correct.

4 Q. Your final exhibit, Mr. Lea, is Exhibit Number 5.
5 Is this the AFE that Mr. Leibrock prepared and which you
6 included in your written correspondence to these various
7 interest owners in the spacing unit?

8 A. Yes, sir, it is.

9 Q. To the best of your knowledge, information and
10 belief, Mr. Lea, have you exhausted all reasonable
11 opportunities to obtain a voluntary agreement from these
12 various interest owners?

13 A. Yes, I have.

14 MR. KELLAHIN: Mr. Stogner, that concludes my
15 examination of Mr. Lea.

16 We move the introduction of his Exhibits 1
17 through 5.

18 EXAMINER STOGNER: Exhibits 1 through 5 will be
19 admitted into evidence at this time.

20 EXAMINATION

21 BY EXAMINER STOGNER:

22 Q. Quick question on Exhibit Number 4.

23 A. Yes, sir.

24 Q. The bonus offer to the Cone and the Mary Irwinski
25 are different than what the Cone. That was \$100 an acre,

1 as opposed to \$50. What was the discretion on that?

2 A. We had taken leases from other Cone interests at
3 \$150 an acre, and since it was a family we wanted to keep
4 everything basically the same.

5 Q. Again, what is Mr. Mark Nearburg's relationship
6 with the Amerind State?

7 A. Nearburg Enterprises, his brother's company, had
8 taken two leases that -- from parties owning mineral
9 interest under that tract.

10 And when we contacted Nearburg Exploration, they
11 told us that the leases had been assigned to Ameristate,
12 which is Mr. Mark Nearburg's company.

13 Q. So is he the president of it or the sole owner of
14 it?

15 A. I believe he's president of Ameristate Oil and
16 Gas.

17 EXAMINER STOGNER: Mr. Kellahin, did you offer
18 any overhead charges with this witness?

19 MR. KELLAHIN: No, I will with Mr. Leibrock.

20 EXAMINER STOGNER: Okay. I have no other
21 questions of Mr. Lea.

22 Thank you, sir.

23 THE WITNESS: Thank you.

24 MR. KELLAHIN: Mr. Examiner, at this time we call
25 Mr. Bob Leibrock.

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ROBERT C. LEIBROCK,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

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

A. Robert C. Leibrock, an owner of Amerind Oil and a petroleum engineer.

Q. On prior occasions before the Division, Mr. Leibrock, have you testified in your capacity as president and owner of Amerind Oil Company and as a petroleum engineer?

A. Yes, actually a partner of Amerind Oil and petroleum engineer.

Q. Is the AFE we described on Exhibit 5 an AFE that you compiled and prepared?

A. Yes.

Q. In addition, is the proposed spacing unit a concept that you have initiated, and this well is your well proposal?

A. Yes.

Q. You have done the geologic and engineering studies with regards to the location of this well and its proposed spacing unit?

1 A. Yes.

2 Q. And you're familiar with the rules and
3 regulations of the Division concerning this proposed Strawn
4 pool and its spacing unit?

5 A. Yes.

6 MR. KELLAHIN: We tender Mr. Leibrock as an
7 expert witness.

8 EXAMINER STOGNER: How do you spell your last
9 name, Mr. Leibrock?

10 THE WITNESS: It's L-e-i-b-r-o-c-k.

11 Q. (By Mr. Kellahin) Let's go back to Exhibit 1
12 before we talk about the cross-section, Mr. Leibrock.

13 A. Okay.

14 Q. Orient the Examiner as to where we are in this
15 particular portion of Lea County, New Mexico.

16 A. This is in an area formerly all called the West
17 Lovington-Strawn field. Now this portion of the field
18 outside of the Gillespie-Crow unit is referred to as the
19 Big South-Strawn field, and is also the subject of another
20 case later today.

21 All the wells in the Big Dog South-Strawn field
22 are shown on this plat. At present they're all in Section
23 2 of the same township, except for the Gillespie Baer
24 Number 2 well just to the north.

25 Q. To orient the Examiner and refresh his

1 recollection, if we were looking at the West Lovington-
2 Strawn unit, the Gillespie-Crow unit, that's up to the
3 northwest of this plat.

4 A. The dotted line on the extreme northeast corner
5 is the edge of the unit.

6 Q. And Section 2 is the numbered irregular Section 2
7 that, at least for purposes of this display, shows these
8 tracts numbered 1 through 24?

9 A. Yes.

10 Q. And the dispute later today to be resolved by the
11 Division involves competing pooling cases with tracts 8 and
12 9 as shown on this exhibit?

13 A. Yes.

14 Q. Let's turn to Section 3. This is also an
15 irregular Section 3, is it not?

16 A. Yes, right.

17 Q. You're forecasting and assuming for purposes of
18 this case that you'll be subject to the Big Dog-Strawn old
19 pool rules?

20 A. Yes.

21 Q. And those rules require what type of spacing and
22 well-location patterns?

23 A. It requires a minimum 330 feet from the edge of a
24 quarter-quarter section, and a minimum 1050 feet from the
25 nearest well in the field.

1 Q. Your proposed spacing unit for this well consists
2 of what acreage, Mr. Leibrock?

3 A. The north half of the southeast quarter, being 80
4 acres.

5 Q. Is Section 3 described legally in a manner that's
6 different from how Section 2 is described?

7 A. Yes, sir, at least as to this portion of the
8 section. The -- All of the former leases that were taken
9 in past years refer to this tract as the north half of the
10 southeast quarter.

11 Q. So to the best of your knowledge, that is the way
12 a legal description is prepared in Section 3 as to the
13 north half of the southeast quarter?

14 A. Yes.

15 Q. It's not a numbered tract, then?

16 A. That's right.

17 Q. Okay. To the best of your knowledge, does it
18 contain 80 acres?

19 A. Yes.

20 Q. And to the best of your knowledge, is this an
21 effort to form a voluntary spacing unit that would be a
22 standard spacing unit?

23 A. That's right.

24 Q. Do you have an opinion as an appropriate risk
25 factor penalty to assess in this case?

1 A. Well, historically 200 percent has been assigned,
2 and I think that continues to be a reasonable penalty in
3 this area, primarily because this well is based almost
4 completely on seismic due to the distance from any nearby
5 control, and I believe the number of dry holes in this
6 area, in the Strawn, testifies to the risk involved.

7 Q. Summarize for the Examiner in what way the 3-D
8 seismic data is being utilized to attempt to identify
9 Strawn oil well locations in this area.

10 A. Primarily, we attempt to identify anomalous
11 waveform character within the Strawn reflecting interval,
12 and we believe we've done so in this location.

13 Q. It's still a very difficult interpretation and an
14 analysis to make using that data to find well locations in
15 the Strawn?

16 A. Right. As we will talk about in the subsequent
17 case, even 3-D data has not always led to successful well
18 completions in this area.

19 Q. Let's take a moment and look at the cross-section
20 that's shown as Exhibit Number 7.

21 A. Okay.

22 Q. Identify and describe that display for us.

23 A. This is a cross-section through the principal
24 field wells and locations several weeks ago. There have
25 been a couple of new wells added since then, but I believe

1 this presents the general picture of the field earlier this
2 year.

3 Starting at the north, on the left, with the
4 Gillespie Baer Number 2, and continuing through the two
5 Amerind wells, over into Section 1 -- I'm sorry, this plat
6 chopped that off, but it's just over the line in Section
7 1 -- and finally ending on the north with the Amerind West
8 State Number 1 in the northeast quarter.

9 Q. That's the closest available well control that
10 you have in the Strawn in relation to your location?

11 A. Yeah, it's some of the closest. As you'll see on
12 the Exhibit 1, there have also been two other Strawn tests
13 in the north half of Section 3, the Yates Daisy State and
14 the Mesa Townsend State Number 1, neither of which was
15 successful in the Strawn, but they were completed in other
16 zones.

17 Q. As you move south of your proposed location,
18 what's happening in the Strawn?

19 A. There's no other locations for at least a mile.
20 So...

21 Q. In summary, then, this is still a high-risk
22 Strawn oil well attempt?

23 A. Yes.

24 Q. Let's turn your attention to Exhibit 5, which is
25 the AFE. Is this a document that you prepared?

1 A. Yes.

2 Q. How does this compare to actual costs of your
3 Strawn oil wells in this area, or other wells drilled by
4 other operators?

5 A. This is similar to the wells we've drilled two
6 years ago and a year ago, respectively, the Mobil State and
7 Gallagher State, although there has been some significant
8 escalation during the past few months, on the order of 10
9 to 15 percent.

10 Q. Okay. Subject to that escalation, is this AFE an
11 accurate and reliable estimate of the cost?

12 A. Yes, it is.

13 MR. KELLAHIN: Mr. Examiner, that concludes my
14 examination of Mr. Leibrock.

15 We move the introduction of his exhibits. I
16 believe he's got -- He's identified Exhibit 7 as an
17 additional exhibit. Exhibit 7.

18 EXAMINER STOGNER: Exhibit 7 will be admitted
19 into evidence at this time.

20 EXAMINATION

21 BY EXAMINER STOGNER:

22 Q. In referring to Exhibit Number 1 there's an old
23 Mesa Townsend State Well Number 1 to the north of this
24 proposed proration unit?

25 A. Yes, sir.

1 Q. It shows to be a Mississippian completion?

2 A. Right.

3 Q. Did you utilize the information on the log on
4 that well for the Strawn information?

5 A. Yes. As you can see, it's about 3000 feet
6 northwest from our location. There was a good show in the
7 Strawn in that well, but they elected not to complete it
8 since they did have a good test in the Mississippi and
9 deeper. And we, yes, did -- We did utilize that
10 information.

11 Q. From some of the past cases, what shows up on
12 that Townsend State Well Number 1, is that a part of the --
13 What would you call it? A limestone pod that your wells
14 that are producing to the north and east -- Would that be a
15 separate stringer?

16 A. In the Strawn?

17 Q. Yes.

18 A. Yes. Actually, I have not shown the log here,
19 but it's a very thin interval in the upper Strawn.

20 Q. Again on Exhibit Number 1, you have -- or
21 somebody has circled a red dot there --

22 A. Yes.

23 Q. -- the Number 1. Is that the proposed well
24 location?

25 A. Yes. In fact, we're drilling at this time.

1 Q. And what is the location of that well?

2 A. It's 725 feet from the east line, 1650 from the
3 south line of the section.

4 Q. What are the pool rules in the South Big Dog
5 Strawn for a standard location? Do you remember?

6 A. 80 acres and a minimum 330 from the quarter
7 section.

8 Q. Okay, it's not the standard 150 from the center
9 as we usually see it in 80s?

10 A. That's correct.

11 Q. And what's the designation of that well, or the
12 name of it?

13 A. The Field Number 1.

14 EXAMINER STOGNER: Again, Mr. Kellahin, did I
15 miss something? Did I hear the overheard?

16 MR. KELLAHIN: Yes, sir, you missed it, I forgot
17 to ask.

18 EXAMINER STOGNER: Okay, good deal.

19 MR. KELLAHIN: We need to ask Mr. Leibrock.

20 FURTHER EXAMINATION

21 BY MR. KELLAHIN:

22 Q. do you have some proposed overhead rates, Mr.
23 Leibrock, to include in the pooling order?

24 A. Yes, sir, \$5500 per month for a drilling well and
25 \$550 per month for operations.

1 Q. And is that a rate consistent with the rate that
2 you're charging for --

3 A. Yes.

4 Q. -- your other Strawn wells?

5 A. It's identical.

6 MR. KELLAHIN: All right, thank you.

7 EXAMINER STOGNER: Okay. Well, with that, that's
8 the information I need, so I have no other questions of Mr.
9 Leibrock. Thank you.

10 MR. KELLAHIN: Mr. Examiner, Exhibit Number 6 is
11 my certificate of mailing in compliance with the notice
12 orders. I've attached to it the cover sheet of the notice.
13 The notice also included a copy of the Application. The
14 third page shows the list of the parties to whom notice was
15 sent. And as identified by Mr. Lea, I think we're down to
16 just a few parties that we have not been able to reach a
17 voluntary agreement with.

18 With the introduction of Exhibit Number 6, that
19 concludes our presentation.

20 EXAMINER STOGNER: Exhibit Number 6 will also be
21 admitted into evidence at this time.

22 Mr. Carroll, before he took off, had shown me an
23 indication of some sort of a notice requirement that had a
24 reference to a nonstandard proration unit for this case.

25 MR. KELLAHIN: It may simply be a transposition

1 of case numbers. The nonstandard proration unit case is
2 the case in adjoining Section 2 with lots 8 and 9.

3 EXAMINER STOGNER: Okay, that was the prehearing
4 statement in which Mr. Carroll --

5 MR. KELLAHIN: And it may have -- Instead of
6 being a 53, it's got a 54. It's the 53 case.

7 EXAMINER STOGNER: Okay, so that is the --

8 MR. KELLAHIN: Yes, sir.

9 EXAMINER STOGNER: -- an error?

10 MR. KELLAHIN: Yeah.

11 EXAMINER STOGNER: Okay. I just wanted to bring
12 that up --

13 MR. KELLAHIN: Yeah, it's a different case.

14 EXAMINER STOGNER: -- as an issue in this area.

15 By the way, the acreage dedication is correct.

16 MR. KELLAHIN: Good, thank you.

17 EXAMINER STOGNER: With that, if nobody else has
18 anything further in Case Number 11,754, then this case will
19 be taken under advisement.

20 (Thereupon, these proceedings were concluded at
21 9:03 a.m.)

22 * * *

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CERTIFICATE OF REPORTER

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

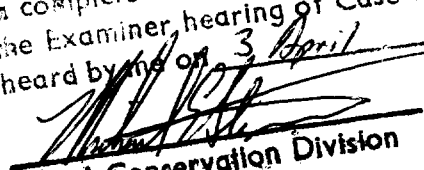
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 April 7th, 1997.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11754, heard by me on 3 April 1997.

 Oil Conservation Division, Examiner