

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. 11,969
)
APPLICATION OF SANTA FE ENERGY)
RESOURCES, INC., FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 30th, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, April 30th, 1998, 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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April 30th, 1998
Examiner Hearing
CASE NO. 11,969

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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* * *

1 WHEREUPON, the following proceedings were had at
2 8:38 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,969.

5 MR. CARROLL: Application of Santa Fe Energy
6 Resources, Inc., for compulsory pooling, Eddy County, New
7 Mexico.

8 EXAMINER CATANACH: Call for appearances in this
9 case.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
11 representing the Applicant. I have two witnesses to be
12 sworn.

13 EXAMINER CATANACH: Okay, additional appearances?
14 Will the two witnesses please stand and be sworn
15 in?

16 (Thereupon, the witnesses were sworn.)

17 STEVEN J. SMITH,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of
23 residence for the record?

24 A. My name is Steven J. Smith, and I live in
25 Midland, Texas.

1 Q. By whom are you employed and in what capacity?

2 A. I'm employed by Santa Fe Energy Resources, Inc.,
3 as a senior staff landman.

4 Q. Have you previously testified before the Division
5 as a landman?

6 A. Yes, I have.

7 Q. And were your credentials as an expert petroleum
8 landman accepted as a matter of record?

9 A. Yes, they were.

10 Q. And are you familiar with the land matters
11 involved in this Application?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I tender Mr. Smith as
14 an expert petroleum landman.

15 EXAMINER CATANACH: Mr. Smith is so qualified.

16 Q. (By Mr. Bruce) Mr. Smith, what is it that Santa
17 Fe seeks in this case?

18 A. We seek to pool the west half of Section 24,
19 Township 18 South, 30 East, Eddy County, New Mexico, for
20 all formations spaced on 320 acres. We also seek to pool
21 the southwest quarter of the section for all formations
22 pooled on 160 acres, and then the northeast of the
23 southwest quarter of that section for all formations pooled
24 on -- or spaced on 40 acres, below 4100 feet.

25 Q. What is Exhibit 1?

1 A. Exhibit 1 is a landplat which shows a
2 representation of the west half, outlined in red, the west
3 half of Section 24. It shows Santa Fe leasehold, colored
4 in yellow, and it also shows the four different ownership
5 tracts. The tracts are really two or three leases, but
6 four different groupings of ownership.

7 And the attachment with the tracts broken out
8 show operating rights, per lease and per tract, and also
9 points out that a great deal of Santa Fe and Enron's
10 leasehold are, by virtue of term assignments of operating
11 rights, and the term assignments are broken down by
12 grantor, the interests conveyed and the expiration date of
13 those term assignments.

14 Q. What is Exhibit 2?

15 A. Exhibit 2 is a list of the working interest
16 ownership based upon a pooling of the west half of Section
17 24 on a 320-acre basis.

18 Q. Of the parties listed on Exhibit 2, who do you
19 seek to pool at this time?

20 A. All parties except Cannon Exploration Company.

21 Q. Okay. Now, let's get into a little bit further
22 about the status of the parties on Exhibit 2, regarding
23 your efforts to obtain their voluntary joinder. Could you
24 go through Exhibit 3A through 3C and discuss your contacts
25 with the parties and what Santa Fe's plans are for this

1 acreage?

2 A. We initially contacted Robert Bullock at Yates
3 Petroleum -- and the Yates entities own the majority of the
4 leasehold in the area -- and proposed the formation of a
5 960-acre working interest unit, which would have consisted
6 of all of Section 24 and the north half of Section 25, and
7 we proposed it based upon Yates being allowed to be the
8 operator, conditioned upon that the well be drilled at our
9 location and operations commenced prior to June 1 of this
10 year.

11 I've had numerous conversations with Mr. Bullock
12 concerning this, and it is still our preferred objective to
13 move forward on that basis, but in light of the expiring
14 term assignments, we felt we needed to seek pooling.

15 As a result, on March 31st, Exhibit 3B I sent a
16 letter out to all of the working interest owners in the
17 west half of Section 24 and all known parties in that 960-
18 acre working interest unit, advising them that our
19 preferred plan was to form the working interest unit with
20 Yates, but if a timely consensus could not be reached, we
21 would propose the proceeding with the formation of a west-
22 half 320-acre proration unit on Section 24, and drilling
23 the well, offered them the opportunity to participate or
24 farm out, under the terms outlined in the letter, and
25 provided them with a cost estimate for the well.

1 And then 3C is the letter of April 17th where I
2 provided the parties a joint operating agreement covering
3 the west half of Section 24, and again stating that we were
4 moving -- trying to move toward the 960, but in the event
5 we couldn't, we wanted to drill it on a 320.

6 Q. Now, as you indicated, your proposal letter was
7 sent about a month ago; is that correct?

8 A. That's correct.

9 Q. And that is -- I mean, that's a relatively short
10 notice period. That's strictly due to the expiring term
11 assignment?

12 A. That is correct.

13 Q. Now, what has been the response of all of these
14 people on Exhibit 2?

15 A. We -- Again, Cannon Exploration signed our AFE
16 well proposal for the west half, so we've excused them.

17 All other parties except for Cibola, we've had
18 conversations with, and all have indicated a willingness to
19 participate or farm out. We've not gotten signed AFEs or
20 JOAs from the parties, but we feel like that we will be
21 able to work something out and get the well drilled.

22 Q. So other than Cibola's 1.4 percent, virtually all
23 of the other interests, you believe, will eventually be
24 committed to the well?

25 A. That's correct.

1 Q. As people sign up, will you notify the
2 Division --

3 A. Yes, we will --

4 Q. -- that these parties no longer --

5 A. -- and excuse them from this, yes.

6 Q. -- are subject to the pooling order?

7 Would you identify Exhibit 4 and discuss the
8 well's costs?

9 A. Exhibit 4 is the cost estimate that was provided
10 with my letter. It proposes the well to be drilled at --
11 It's a 12,000-foot Morrow test, located in the center of
12 the northeast southwest of Section 24, with a dryhole cost
13 of \$469,104 and a completed well cost of \$800,742.

14 Q. Are these costs in line with the costs of other
15 wells drilled to this depth in this area of the county?

16 A. Yes, they are.

17 Q. And does Santa Fe Energy request that it be
18 designated operator of the well?

19 A. Yes, we do.

20 Q. What overhead rates does Santa Fe Energy propose
21 in the event it's named operator?

22 A. \$5700 for a drilling well rate and \$570 for a
23 producing well rate.

24 Q. And are these well costs in line -- or I should
25 say these operating costs, in line with those charged by

1 other operators for wells of this depth?

2 A. Yes, they are.

3 Q. And were the uncommitted interest owners notified
4 of this hearing?

5 A. Yes, they were.

6 Q. And is Exhibit 5 my affidavit of notice with the
7 notice letter and certified return receipts?

8 A. Yes, it is.

9 Q. Were Exhibits 1 through 5 prepared by you or
10 under your supervision or compiled from company business
11 records?

12 A. Yes, they were.

13 Q. And in your opinion, is the granting of Santa Fe
14 Energy's Application in the interests of conservation and
15 the prevention of waste?

16 A. I do.

17 MR. BRUCE: Mr. Examiner, at this time I move the
18 admission of Santa Fe Exhibits 1 through 5.

19 EXAMINER CATANACH: Exhibits 1 through 5 will be
20 admitted as evidence.

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Mr. Smith, you guys have cut it kind of close on
24 this one.

25 A. We have. This is, I think, a rather mature,

1 difficult area to put together a position. We've struggled
2 and worked hard to get what little we could. And
3 considering the -- what we have, we feel the need to
4 preserve it, the likelihood that we would not be able to
5 put it back together.

6 Q. We're concerned about the date the well was
7 initially proposed to these interest owners, which appears
8 to be March 31st, and the time the pooling Application was
9 filed, which I assume to be probably around the 7th of
10 April --

11 MR. BRUCE: It was filed on the 7th; I just
12 checked my file.

13 Q. (By Examiner Catanach) Okay. That's been a hot
14 issue around here lately. Can you tell me about -- You
15 say, and you anticipate that you'll reach voluntary
16 agreement with all of these interest owners except for
17 Cibola?

18 A. I would anticipate that, based upon conversations
19 with all of them, yes.

20 Q. Okay, you've spoken to all of these interest
21 owners personally and --

22 A. Well, Robert Bullock, of course, represents the
23 majority of the Yates entities, and he would be really the
24 person I've spoken to in relation to the Yates entities,
25 with the exception of Cibola and Harvey E. Yates Company.

1 Cibola has not responded. We've gotten a letter
2 from Heyco, or Harvey E. Yates, where they basically
3 informed us they do not oppose our Application.

4 Q. Okay. You've had not contact with Cibola?

5 A. No, I've made numerous phone calls and left
6 messages on his, Mr. Harvey E. Yates, Jr.'s, voice mail,
7 and I have had no contact with him.

8 Q. Can you tell me who -- which parties you believe
9 Mr. Bullock represents?

10 A. It would be Yates Petroleum, John Yates as
11 representative of the estate of Peggy Yates and
12 individually, S.P. Yates and his wife, the Estate of Lillie
13 M. Yates, Sharbro, and I believe that would be the extent
14 of his -- the entities that he's represented that he was
15 speaking for.

16 Q. Okay. You've spoken to Enron?

17 A. Oh, yes. They've agreed to farm out.

18 Q. You just don't have anything in writing; is
19 that --

20 A. That's correct, we got a phone call --

21 MR. BRUCE: Yes, Mr. Examiner, I received a phone
22 call from Patrick Tower, the landman at Enron, yesterday,
23 and he said he would -- that Enron would farm out either to
24 the working interest owners' unit or to this specific well
25 upon the terms proposed by Santa Fe Energy. But at this

1 time there's nothing in writing.

2 Q. (By Examiner Catanach) What about the parties on
3 page 2? You've spoken to McBride?

4 A. I've spoken to McBride and Hanson through Mr.
5 Carl Schellinger, and we have a letter from him indicating
6 that they will participate in the well, whether it's on a
7 960 or a 320, but we do not have a signed AFE or operating
8 agreement at this date.

9 Q. Okay. How about Rio Pecos Corporation?

10 A. Rio Pecos and TARA-JON, both, have indicated they
11 desire to sell their interest. I got a handwritten note
12 yesterday, and while that wasn't something we had offered
13 or entertained, we feel like something can be worked out
14 with it.

15 Q. Okay. Pathfinder?

16 A. Pathfinder, I'm told, has -- is in the process of
17 selling their interest to Cannon Exploration. They are --
18 Todd and Scott Wilson are brothers, and Cannon has
19 indicated in their cover letter to me that when they
20 executed my AFE and well proposal it was for both
21 interests, but I don't have documentation of that
22 conveyance.

23 Q. Okay. Roger Elliott?

24 A. Roger Elliott has elected to farm out.

25 Q. Mr. Smith, have any of these interest owners

1 expressed concern to you about the short time period?

2 A. They understand. I mean, it was -- The biggest
3 interest owner that's affected, of course, are Yates and
4 Santa Fe and Enron.

5 Enron's interests are to be preserved by this
6 effort, as well as Santa Fe's, so they understood. And
7 Robert Bullock commented that it is short notice but he
8 also understands. And of course, the fact that they're not
9 here opposing, I think, speaks for itself.

10 MR. CARROLL: And how long has Santa Fe owned its
11 interests?

12 THE WITNESS: We got these term assignments in a
13 package from Mr. Roger Elliott in Cannon Exploration about
14 a year and a half ago. They were term assignments that
15 they took that had five years on them, and when we got
16 them, when they were sold to us, we just were getting the
17 remainder of that term assigned.

18 MR. CARROLL: And they expire in June and July?

19 THE WITNESS: They -- June, July, August. And we
20 have one term assignment from the Hanson-McBride interest
21 that expires in November.

22 Q. (By Examiner Catanach) So what's your drilling
23 deadline? June?

24 A. Well, we would like to be turning to the right on
25 June 15th. June 1st gave us a little cushion, but we've

1 got to be drilling by June 15th.

2 Q. At this point you've not worked out the agreement
3 with Yates as to who's going to operate?

4 A. Well, when -- On the 960, we are going to allow
5 them to operate if we can put it together.

6 If we go through the process of force pooling and
7 end up acquiring larger percentages -- it looks like we
8 will -- we will operate the 320 on the west half, Santa Fe
9 will.

10 Q. Mr. Smith, are you going to attempt to -- or keep
11 attempting to contact Cibola --

12 A. Yes.

13 Q. -- after the hearing?

14 A. Absolutely.

15 MR. BRUCE: Mr. Smith, it might help to say what
16 Robert Bullock said about Cibola to you.

17 THE WITNESS: Well, I've been away from southeast
18 New Mexico for a little while, and I've come back, and I
19 was told by Mr. Bullock that more often than not Cibola has
20 to be force-pooled because they fail to respond to
21 proposals on a timely basis.

22 I have no personal knowledge of that being the
23 case, but I've heard that.

24 EXAMINER CATANACH: Okay, that's all we have of
25 this witness. He may be excused.

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MICHAEL D. HAYES,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. Michael D. Hayes. I live in Midland, Texas.

Q. Who do you work for and in what capacity?

A. Santa Fe Energy Resources. I'm employed as a senior geologist.

Q. Have you previously testified before the Division as a geologist?

A. Yes, I have.

Q. And were your credentials as an expert petroleum geologist accepted as a matter of record?

A. Yes, they were.

Q. And are you familiar with the geologic matters involved in this Application?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I tender Mr. Hayes as an expert petroleum geologist.

EXAMINER CATANACH: He is so qualified.

Q. (By Mr. Bruce) Mr. Hayes, would you identify your Exhibit 6 and discuss the primary zone of interest in

1 the proposed well?

2 A. Exhibit Number 6 is a structure map on the top of
3 the Morrow. The primary zone of interest is the lower
4 Morrow, as I'll identify on a cross-section here on Exhibit
5 8.

6 This map is a little bit busy, but what I'm
7 trying to show here is that the stippled area is a Santa Fe
8 Energy leasehold, or to some extent. The filled-in red
9 circles are Morrow producers in the area. The filled-in
10 red square is the proposed location in the southwest
11 quarter of Section 24.

12 This is a structure map on the top of the Morrow,
13 with a contour interval of 50 feet.

14 The blue hachured line that kind of runs through
15 a portion of the map is the approximate outline of potash.
16 And then that area off to the west in Section 14 and 23, in
17 fact, that's actually been mined out to a large degree.
18 It's no longer active, but it's been mined out.

19 Q. What about the Morrow wells that you have on this
20 map? What's the status of those wells? Are they
21 commercial?

22 A. It's -- Generally, no. I'll kind of go through
23 running a little bit of the details.

24 In Section 13, that's essentially a noncommercial
25 Morrow well with very little -- any kind of zones uphole.

1 It's currently producing about 150 to perhaps 175 MCF a day
2 from the Morrow. It's made less than 100 million cubic
3 feet of gas, and it's likely to be noncommercial, in the
4 Morrow certainly, and probably all other zones when we're
5 done with it.

6 Up in Section 18, that well has made
7 approximately 380 million out of the Morrow, and is
8 essentially done, so it's been plugged back to the Bone
9 Spring. It's made about 12,000 barrels out of the Bone
10 Spring.

11 The well in Section 19 in the northeast quarter
12 has made about 42 million cubic feet of gas out of the
13 Morrow.

14 The wells in Section 30 are -- I'm going to have
15 one of those wells -- The west-half well on the cross-
16 section has some of the details on it, but that well was
17 originally completed in the Wolfcamp. It made a pretty good
18 Wolfcamp zone, but then they went back down into the Morrow
19 after that. And the Morrow, as I understand -- this is
20 basically verbal conversation with a geologist from Penwell
21 Energy -- it's essentially noncommercial in the Morrow.
22 They hit both the lower and middle Morrow, and it really
23 isn't going to do much of anything. I don't know the exact
24 details of that, however.

25 And then the well in the east half of 30 looks

1 like probably it's got the best shot of being the only
2 commercial well in the Morrow. My understanding is, it's
3 completed in the middle Morrow. And I don't know the
4 precise rates, I don't know the details. I was told it was
5 completed in the Middle Morrow, but the details have not
6 been released by Penwell Energy.

7 So essentially four out of the five completions
8 here in the Morrow are noncommercial, extremely commercial.

9 Q. And what about all of the oil wells marked on
10 here? What, roughly, are those?

11 A. Most of the shallow ones you see in 25, 26, are
12 Yates-Seven Rivers-Queen wells. As you get up towards the
13 northeast, those are Bone Spring wells, and the same as --
14 in Section 30, those are mostly shallower wells, above
15 4100, which we're pooling here.

16 Q. Okay, let's move on to your Exhibit 7. What is
17 that?

18 A. Exhibit 7 is an isopach of the lower Morrow. The
19 contour interval here is ten feet.

20 Essentially what I'm showing here is a north-
21 south channel, centered in the west half of Sections 24 and
22 25. The open circles show Morrow control.

23 As one can see from examining this map, there
24 isn't really a lot of Morrow -- lower Morrow sand coming
25 through here. The zone is projected in, as much as

1 anything, from the south, based on some regional mapping.

2 The two wells that I'll show on the cross-section
3 really -- we feel they're kind of a glancing blow in the
4 lower Morrow. They've grazed it, but really didn't hit
5 what we're essentially chasing after here.

6 We expect to encounter 30-plus feet, based on
7 this map, and if we get those kind of reserves draped over
8 that nose there, we can get some commercial production, is
9 really what we're chasing in there.

10 Q. Why don't you move on to your cross-section and
11 describe what that shows for the Examiner?

12 A. Exhibit 8 is a two-well cross-section,
13 stratigraphic cross-section, hung on the Morrow clastics
14 for the datum. It basically runs southeast to northwest,
15 showing the two closest wells to the proposed location.
16 You can see there really isn't a lot of control in the
17 area. These are density neutron logs.

18 The Enron well is the one to the left, in the
19 northwest. And again, you can see down there, it was
20 completed fairly recently, it has some of the rates that
21 it's done. It had some DSTs in some upper zones that
22 really are -- really -- they got some shows of oil, but
23 they don't really look like all that good a zone, really.
24 I don't think they're going to be commercial in those zones
25 either.

1 And then the second well is -- The well to the
2 right is in the southeast. It's the Penwell Shugart 30
3 Federal Number 1.

4 What I'm showing on here, as much as anything, is
5 just to show the correlation of the intervals that I'm
6 mapping on. The isopach map is the lower Morrow. You can
7 see there's a couple of thin, poorly developed sands in the
8 Penwell Energy West Shugart 30.

9 As I stated earlier, I think that our channel is
10 really running west of this well, and they've got kind of a
11 glancing blow of the lower Morrow there.

12 And as I stated before, as far as I understand,
13 that well has been completed in both the lower and middle
14 Morrow, but I do not know the details. I mean, I know that
15 -- from talking to the geologist at Penwell, it has been
16 completed in the lower Morrow. He did not apprise me of
17 the intervals, but I can assume that it's basically those
18 three sands that are basically highlighted on the Morrow.

19 Q. And Penwell has just done that fairly recently?

20 A. Yes, it has, very recently.

21 Q. Okay. Are there any secondary objectives that
22 you might look for in this well?

23 A. Certainly we'd -- I would expect to run into some
24 middle Morrow in here. I think there's a good chance of
25 hitting some middle Morrow sands. In fact, I've identified

1 a few up in the middle Morrow clastics. And the ones I've
2 colored in, in fact, Enron has completed in the middle
3 Morrow.

4 It tends to be less commercial, tends to have
5 lower rates of deliverability and reserves, and I certainly
6 wouldn't complain if we ran into it. But yes, the middle
7 Morrow is a possibility.

8 The Atoka in here can be very good. I kind of
9 don't think we've got all that good a shot in the Atoka,
10 personally, but again we pay attention for something like
11 that.

12 And then in the Strawn in the area, very
13 difficult to predict, but it does produce commercially
14 approximately four to five miles to the south and west of
15 here. So it would be another viable possibility.

16 I don't carry the cross-section up as far as the
17 Wolfcamp, but a Wolfcamp zone is certainly viable. They're
18 producing from the Wolfcamp over in Section 30. I would --
19 It's a difficult zone to map, but it's certainly something
20 that could possibly pay in here. And as has been shown
21 before, the Bone Spring does pay through here too, both in
22 the carbonates and the sands of the Bone Spring.

23 Q. In your opinion, what penalty should be assessed
24 against any interest owner who goes nonconsent in this
25 well?

1 A. Two-hundred-percent. As can be seen from some of
2 the production in through here, it's a fairly risky area,
3 and even some of the plug-back zones really haven't done a
4 lot to make commercial production. So it's a pretty high
5 risk well, and you can see from the limited control it's --
6 we're taking a fair amount of risk.

7 Q. Were Exhibits 6 through 8 prepared by you or
8 under your direction?

9 A. Yes, they were.

10 Q. And in your opinion, is the granting of Santa
11 Fe's Application in the interests of conservation and the
12 prevention of waste?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I'd submit to the
15 record Santa Fe's Exhibits 6 through 8.

16 EXAMINER CATANACH: Exhibits 6 through 8 will be
17 admitted as evidence.

18 I have no questions for the witness. You may be
19 excused.

20 MR. BRUCE: I have nothing further in this
21 matter, Mr. Examiner.

22 EXAMINER CATANACH: Mr. Bruce, we're still
23 concerned about the short time period on this case. How
24 would your -- how would this case be affected if we
25 continued it for a month?

1 MR. BRUCE: Well, part of the problem -- If
2 you're going to continue it, I would prefer it for two
3 weeks, and then if necessary for two weeks so we could get
4 an update on what the status is.

5 But obviously, once the order comes out, Mr.
6 Smith will need to send out the notice and election letter
7 and give the parties 30 days. And so that is also a
8 concern to us.

9 EXAMINER CATANACH: If we have an order out --
10 The four weeks' continuance would put it at May 28th, and
11 if we had an order out shortly after that, or on May 28th,
12 that would still give you approximately two weeks before
13 you had to spud the well; is that about right?

14 MR. BRUCE: If we could get it out by the end of
15 the month, I don't have a problem with that, because
16 obviously the well is not going to be to TD by the end of
17 the 30-day election period. That's my main concern.

18 EXAMINER CATANACH: I'll tell you what we'll do.
19 Let's continue this case for two weeks, and in two weeks
20 can you give us an update on the status of who was signed
21 up and --

22 MR. BRUCE: I'll get a letter from Mr. Smith and
23 submit it into the record for what the status of -- who has
24 signed up and who has not --

25 EXAMINER CATANACH: At that time --

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MR. BRUCE: -- who is --

EXAMINER CATANACH: Yeah, at that time we'll make a determination whether to take it under advisement or continue it for two weeks. So I suggest, you know, in the next two weeks you try and get everybody signed up that you can and try and work it out.

So with that, we'll go ahead and continue it for two weeks.

(Thereupon, these proceedings were concluded at 9:10 a.m.)

* * *

FILED
APR 30 1989
DANIEL R. CATANACH
OFF. OF CONSERVATION

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 May 1st, 1998.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998